

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 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 of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Jin Hui
Mr. Shi Hui Xing
Mr. Zhou Guo Ping

Non-Executive Directors

Ms. Chai Xiao Fang
Mr. Shen Jian Zhong

Independent Non-Executive Directors

Mr. Wang Guo Zhong
Mr. Yang Chun Bao
Mr. Song Zi Zhang

AUDIT COMMITTEE

Ms. Chai Xiao Fang
Mr. Song Zi Zhang
Mr. Yang Chun Bao

AUTHORISED REPRESENTATIVE

Mr. Chan Chi Wai Benny
Mr. Shi Hui Xing

COMPANY SECRETARY

Mr. Chan Chi Wai Benny

AUDITORS

Ascenda Cachet CPA Limited

PRINCIPAL BANKERS

China Construction Bank Huaxin Sub-branch
Shanghai Rural Commercial Bank Co., Ltd
Chonggu branch

H SHARE SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

1988 Jihe Road
Hua Xin Town
Qingpu District, Shanghai
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2605, Island Place Tower
510 King's Road
North Point Hong Kong

CHAIRMAN'S STATEMENT

RESULTS FOR THE YEAR

For the year ended 31 December 2014, the Group recorded total revenue of RMB117,486,000 and profit attributable to the shareholders of RMB7,334,000. The Group's revenue was derived principally from its manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products) in the PRC (excluding Hong Kong) and overseas, provision of fire technology inspection services and trading of sanitary-ware and other products.

SALES

The Group's revenue increased by RMB4,075,000 from RMB113,411,000 in 2013 to RMB117,486,000 in 2014.

PROSPECT

The Company's fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Company can meet the diversified needs of the customers. In addition, the Company's fire extinguishers for non-marine use are granted the Certificate for Product Type Approval by the CCCF and its fire extinguishers for marine use are granted the Certificates of Type Approval by the China Classification Society, Shanghai Branch ("CCS"). The Company's pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the USA and the European Union.

Measures have been and will be implemented continuously to improve the operation efficiency and to control production costs. Production will be more focused on higher-margin products and production of lower-margin products will be reduced to raise the overall profit margin of the Company. With the economic uncertainties continue to grow in China in 2015, the Company intends to improve the profitability of the Group by increasing the operation efficiency and reducing the overhead expenses. Production in Shanghai Qingpu Fire Fighting Equipment Company Limited, Jiangshan Branch Company ("Jiangshan Branch") has been stopped as part of overhead expenses reduction plan in 2014. During the year, the Company has tried to consolidate the production plants to enhance the production efficiency. However, due to the rapid changes in market situations, the consolidation has not yet been completed. The Company is still looking for opportunities to improve the effectiveness and efficiency of the Company's business, not only by consolidation of production plants, but other opportunities such as merger and acquisition of business which has synergy with the existing business of the Company when opportunities come.

The Company considers that there is business potential in the market for the provision of fire consulting and testing services as there are approximately 25 companies licensed to provide such services in Shanghai, but according to the Shanghai government policy, all new buildings are required to pass the fire safety test and all existing buildings are subject to annual fire safety inspection. The Company is considering to expand into such business and/or related business in Shanghai and/or other Provinces in China.

CHAIRMAN'S STATEMENT

LONG TERM STRATEGY

We believe that the Company, with our experienced management team, firm and clear development directions, the manufacturing of quality products and the provision of quality services, will be able to sharpen our competitive edge. The Company will continue to develop new market of higher-margin products/businesses and also prudently consider acquiring relevant enterprises which possess sound profitability by way of capital increment in accordance with the relevant laws and regulations in order to accelerate the growth of our profitability so that the Company will become a major enterprise in the manufacturing and sale of fire-fighting equipment and relevant business in the PRC and overseas. The Group is also actively seeking for opportunity to consolidate production procedures and plants in order to further reduce overhead expenses and maximize production efficiency.

OUR PEOPLE

The Group will further optimize its staff structure. The Board would like to express its gratitude to the employees of the Company for their invaluable contribution to the business of the Group.

DIRECTORS

My thanks go to the Directors of the Company for their professional work. The Board will endeavor to work professionally and painstakingly for achieving prosperous performance of the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2014, the Group recorded a turnover of approximately RMB117,486,000 (year ended 31 December 2013: RMB113,411,000), representing an increase of approximately 3.6% over last year. The increase is a result of the efforts of the sales department of the Company.

GROSS PROFITS

For the year ended 31 December 2014, the Group recorded overall gross profit of approximately RMB21,367,000 (year ended 31 December 2013: RMB23,387,000), representing a decrease of approximately 8.6% over last year. This is due to a lower gross margin in trading of products in this year.

OTHER INCOME AND GAINS

Other income and gains for the year ended 31 December 2014 increased by approximately RMB2,550,000 from RMB4,520,000 for the year ended 31 December 2013 to approximately RMB7,070,000. This is mainly due to fair value gains on investment properties.

SELLING AND DISTRIBUTION COSTS

For the year ended 31 December 2014, the Group's selling and distribution costs decreased to approximately RMB2,476,000 from RMB2,874,000, representing a decrease of 13.8% over the corresponding period of last year. This is due to the increase in trading of products which involve less selling and distribution cost.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2014, the Group's administrative expenses amounted to approximately RMB17,496,000 (year ended 31 December 2013: approximately RMB15,226,000), representing an increase of 14.9%. The increase is mainly due to impairment of trade and bills receivables and write-off of inventory due to closure of a branch.

FINANCE COSTS

No finance costs were recorded for the years ended 31 December 2014 and 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX

No provision for Hong Kong profits tax have been made as the Group had no assessable profits arising in Hong Kong during the year (2013: Nil). Under the Corporate Income Tax Law, the corporate income tax (“CIT”) rate is calculated at a rate of 25% (2013: 25%) on the Group’s estimated assessable profits for the year ended 31 December 2014.

Pursuant to an approval document issued by the Shanghai Municipal Bureau of Local Taxation, one of the Company’s subsidiaries has been designated as a small low-profit services enterprise and was subject to the concessionary tax rate of 2.5%. Under the Corporate Income Tax Law, the CIT rate is calculate at a rate of 25% on the 10% revenue generated by one of the Company’s subsidiaries for the years ended 31 December 2013 and 2014.

NON-CONTROLLING INTERESTS

For the year ended 31 December 2014, loss for the period attributable to non-controlling interests is approximately RMB1,332,000 (year ended 31 December 2013: profit RMB250,000).

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 December 2014, the Group recorded profit for the year of approximately RMB7,334,000 (year ended 31 December 2013: RMB 7,839,000), representing a decrease of approximately 6.4%, which was primary attributable to the unexpected stiff competitions in fire-fighting equipment market leading to a loss making segment.

EMPLOYEES

As at 31 December 2014, the Group had 286 employees (2013: 318 employees). Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme.

Under relevant local government regulations, the Group is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Group has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Group has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Group has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Group’s relationship with its employees to be good.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Jin Hui (周金輝), aged 44, has been an executive Director since July 2009. He is the chairman of the Company and a director of Liancheng HK, Liancheng, and Hengtai Real Estate. Mr Zhou started management of business in 1996 when he co-founded Jiangshan Construction Decoration Engineering Ltd.* (江山市建築裝飾配套工程有限公司). He was a founder of Jiangshan Hengtai Real Estate Co. Ltd.* (江山市恒泰房地產有限公司) in 1998 which was converted into Hengtai Real Estate in 2003. Mr Zhou completed the business administration programme in the International Business University of Beijing* (北京國際商務學院) in 1998 and the training programme for senior manager in Tsinghua University* (清華大學) in 2005. In addition, he was conferred the degree of Master of Business Administration from the University of Management and Technology, Commonwealth of Virginia, the United States of America in 2007.

Mr. Shi Huixing (史惠星), aged 56, has been an executive Director since April 2014, appointed as the General Manager of the Company in November 2014. He is also a director and the general manager of 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Ltd.*) (“Special Cylinder”). Mr. Shi has been working in Special Cylinder since 2007. Mr. Shi graduated from the Shanghai Light Industry Bureau Committee China Communist Party School (中共上海市輕工業局委員會黨校) with studies in political party management (政黨管理) in 1992 and was conferred the qualification of senior occupational manager (grade 1) (高級職業經理人(一級)) in 2009 by the Appraisal Centre of Occupational Capability of Shanghai (上海市職業技能鑒定中心).

Mr. Zhou Guo Ping (周國平), aged 47, has been an non executive director since June 2014 and re-designated to executive director in November 2014. He joined the Company as the deputy general manager in May 2011. He has more than 28 years of experience in factory management. He worked as the Vice General manager of ZheJiang Jiangshan Transformer Co., Ltd.* (浙江江山變壓器有限公司) before joining the Company. Mr. Zhou Guo Ping was a graduate from Wuhan Institute of Economic Management* (武漢經濟學院).

Mr. Gong Xu Lin (龔需林), aged 39, had been an executive Director since April 2011 and resigned on 9 April 2014. He was appointed as a non-executive Director in August 2009. He has been the manager of the legal department of Liancheng since March 2007. Mr. Gong has over 19 years of experience in managing legal affairs. Mr. Gong worked in Zhejiang Wancheng Law Office* (浙江萬盛律師事務所) from October 2000 to March 2007 and was an executive (職務科員) of the Bureau of Justice in Jiangshan City* (江山市司法局) from August 1993 to October 2000. Mr. Gong graduated from Zhejiang Law School* (浙江法律學校) and completed the law course jointly organised by China Central Radio & TV University* (中央廣播電視大學) and the China University of Political Science and Law* (中國政法大學) in 2004.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Ms. Chai Xiao Fang (柴曉芳), aged 51, has been a non-executive Director since July 2009. She has more than 17 years of experience in finance and management. She has also been the deputy general manager of Hengtai Real Estate since June 2003. Prior to joining Hengtai Real Estate in June 2003, she worked in the Jiangshan branch of China Construction Bank as relationship manager from December 1994 to May 2003. Ms Chai completed the accountancy programme in Zhejiang Province Zhonghua Accountancy Distant Learning College* (浙江省中華會計函授學院) and the economic and management programme in Hangzhou University* (杭州大學) in 1996. In addition, she completed the law programme of network education in China University of Geosciences* (中國地質大學) in 2005 and the training programme for financial controller in 2006 and the training programme for senior manager in 2008 both organised by the Professional Managers Training Centre* (職業經理訓練中心) in Tsinghua University* (清華大學).

Mr. Shen Jian Zhong (沈建忠), aged 49, has been an executive Director since April 2011 and re-designated to non-executive director in November 2014. He joined the Company in April 2011 as the general manager and resigned in November 2014. He has more than 26 years of experience in the relevant industry as explained below. He had worked in Shanghai Sanhe Hydro Power Equipment Co., Ltd.* (上海三和水利電力設備有限公司) from July 1985 to November 1998 in various positions, including worker, supervisor, and deputy general manager. In November 1998, he joined the Company and worked as deputy general manager and general manager till August 2006. He then worked in Shanghai High Pressure as deputy general manager from August 2006 to January 2007, Shanghai Shenwei Medical Use Gas Co., Ltd.* (上海申威醫用氣體有限公司) as project director from February 2007 to December 2009, and Shanghai Pujiang Special Gas Co., Ltd.* (上海浦江特種氣體有限公司) as deputy general manager from January 2010 to December 2010. Mr Shen graduated from Shanghai Agricultural Machinery Industrial Bureau Machinery Manufacture School* (上海市農業機械工業局機械製造學校) in 1985.

Ms. Wang Xiang (王翔), aged 53, had been an non-executive Director since August 2009 and resigned on 27 June 2014. She has over 13 years of experience in finance and accounting. She was the chief accountant and deputy general manager of Shanghai Huasheng during the period from September 2006 to April 2007. Prior to joining Shanghai Huasheng, she was the chief accountant and assistant to the general manager of Shanghai Moshida Enterprise Development Company Limited* (上海魔士達企業發展有限公司) from April 2002 to February 2005. Ms. Wang completed the economic management programme in the People's Liberation Army of China Nanjing Political College* (中國人民解放軍南京政治學院) in 2002. Further, she also completed the professional postgraduate programme of management science and engineering from Shanghai University* (上海大學) in 2003. She was conferred the qualification of a certified internal auditor under China Institute of Internal Audit* (中國內部審計協會) in 2007, the qualification of an accountant under the Shanghai Light Industry Bureau Intermediate Accounting Professional Skill Occupational Eligibility Assessment Committee* (上海市輕工業局會計系列中級專業技術職務在職資格評審委員會) in 1992, the qualification of a senior business operator recognised by the Occupational Skill Testing and Instruction Centre of China* (中國商業職業技能鑒定指導中心) and the State Senior Business Operator Assessment Committee* (全國高級經營師評審委員會), and the qualification of a certified public accountant in the PRC as recognised by the Ministry of Finance Certified Public Accountant Examination Committee* (財政部註冊會計師考試委員會) in 1996.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guo Zhong (王國忠), aged 57, has been an independent non-executive Director since October 2000. He has over 20 years of experience in legal practice. He has been the person in charge (主任) of Shanghai Keenmore Law Office* (上海市金馬律師事務所) since October 1992. Mr Wang graduated from Shanghai Fudan University* (上海復旦大學) with a bachelor's degree in law in April 1983. He was conferred the qualification of professional lawyer by Shanghai Justice Bureau (上海市司法局) in January 1985.

Mr. Yang Chun Bao (楊春寶), aged 58, has been an independent non-executive Director since October 2000. He has more than 31 years of experience in finance and accounting. Mr Yang was admitted as a certified public accountant and he joined Shanghai Huashen Certified Public Accountants Ltd.* (上海華申會計師事務所有限公司) in November 1973 and became a deputy supervisor (副主任) in June 2005. In July 2011, he was promoted to be the accountant-in-charge (主任會計師) of the firm. Mr Yang was conferred a degree of Master of Science in Business Administration by Madonna University at Livonia, Michigan, the USA in December 1999. Mr. Yang has joined Mingyuan Medicare Development Co., Ltd. (stock code: 233) as an independent non-executive Director in September 2014.

Mr. Song Zi Zhang (宋子章), aged 68, has been an independent non executive director since November 2014. He has over 40 years' experience in factory management. He has been appointed as the Supervisor Committee Chairman of Shanghai Chenglong Group Co., Ltd. (上海晟隆(集團)有限公司) since 2007, after retiring from the position of General Manager in Shanghai Moshida Enterprise Development Company Limited (上海摩士達企業發展有限公司). He completed the program of Enterprise Operation and Management in Shanghai Open University and is a Senior Economist.

Mr. Zhang Cheng Ying (張承纓), aged 68, had been an independent non-executive Director since August 2009 and resigned on 11 November 2014. He is also an independent director of SOYEA Technology Co., Ltd.* (數源科技股份有限公司), a company listed on the Shenzhen Stock Exchange. He has over 26 years of experience in public administration. He was the Secretary for the Zhejiang Province State-owned Assets Supervision and Administration Commission* (浙江省國有資產管理局) from November 1989 to July 1995, and the commissioner and deputy commissioner of the Zhejiang Province Finance Supervisory Commissioner Office of Ministry of Finance* (財政部駐浙江省財政監察專員辦事處) from July 1995 to February 2005. He had worked in the Zhejiang Provincial Civil Air Defence Office* (浙江省人民防空辦公室) during the period from October 1978 to November 1989. Mr Zhang completed the industrial and electrical automation programme (工業電氣自動化) in Zhejiang University* (浙江大學) in 1975.

SENIOR MANAGEMENT

Mr. Mao Qian Meng (毛謙孟), aged 49, has been the deputy general manager of the Company since November 2008. He has more than 14 years of experience in the fire-fighting equipment industry. He worked as the manager of Xinjiang Korla Yinjian Fire-fighting Equipment Co., Ltd.* (新疆庫爾勒銀劍消防設備有限責任公司) during the period from January 1994 to December 2003.

Mr. Xiao Li Jun (肖立軍), aged 53, is the deputy general manager of the Company. He has more than 6 years of experience in production management. He joined the Company in September 2006 as a production manager. He joined Qingpu Fire-fighting Equipment Factory* (青浦消防器材廠) in 1979.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhao Da Rong (趙大榮), aged 45, has been the office manager of the Company since November 2006. He has over 20 years of experience in general management. Before he joined the Company, he had worked as the deputy office manager and office manager of Shanghai Huasheng during the period from December 1997 to November 2006, and as the office manager and deputy general manager of Shanghai Huasheng Fine Chemicals Co., Ltd.* (上海華盛精細化工有限公司) from February 1992 to December 1997. Mr Zhao graduated from Shanghai Anting Teachers Training School with a major in education in July 1988. He completed the training course of intermediate professional manager (national professional qualification Grade 2) (中級職業經理人(國家職業資格二級)培訓班) held by Shanghai Centre for Quality of Management (上海卓越管理中心) in August 2008.

Mr. Luo Jun (駱軍), aged 41, is the technical manager of the Company. He has more than 9 years of experience in industrial techniques. He joined the Company in January 2004 and had been working as technician and technical manager. He had worked as a technician in Baosteel People's Machinery Factory* (寶鋼集團人民機械廠) during the period from August 1996 to January 2000. Mr Luo graduated from Nanchang Hankong Industrial College* (南昌航空工業學院) with studies in metal forming process and equipment in 1996.

Ms. Shi Yan (石燕), aged 48, is the manager of quality inspection department of the Company. She has over 18 years of experience in quality control. She joined the Company in December 2006 as the manager of quality inspection department. Before this, she had worked as the deputy manager of the quality inspection department of Shanghai Huasheng during the period from September 2003 to November 2004 and as quality inspector of Shanghai Unilever Co., Ltd. (上海聯合利華股份有限公司) during period from July 1986 to July 2003. Ms Shi completed professional studies from Shanghai No. 2 Light Industry School* (上海市第二輕業學校).

Mr. Li Hua (李華), aged 53, is the production facility manger of the Company. He has more than 22 years of experience in factory manufacturing. In 1979, he worked in Qingpu Fire-fighting Equipment Factory* (青浦消防器材廠). He worked in Qingpu Shanhu Machinery Factory* (青浦山湖機械廠) from January 1990 to February 2001 as a workshop supervisor. In March 2001, he joined the Company and worked as workshop supervisor, deputy manager and manager of the production facility department.

Ms. Xing Li Juan (刑麗娟), aged 33, has been the general manager of Liming since May 2009. She has over eight years of experience in fire testing and consultancy. Prior to joining Liming, she worked in Shanghai Tianlin Fire Safety Engineering Co., Ltd.* (上海天淋消防安全工程有限公司) during the period from July 2004 to May 2009. Ms Xing graduated from Jilin Construction Engineering College* (吉林建築工程學院) with a bachelor's degree in electrical engineering and automation in 2004. She was conferred the qualification of engineer by the Shanghai Professional Test Authority* (上海市職業能力考試院) in 2010 and the qualification of fire technology inspecting services (消防技術檢測服務) by the Shanghai Fire Protection Association (上海市消防協會) in 2009.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Chan Chi Wai, Benny (陳智偉), aged 43, obtained a Bachelor of Business (Accountancy) in Queensland University of Technology. He has over 20 years' experience in auditing, accounting and financial management. Prior to joining the Company, he has moved to Shanghai and worked for a domestic company preparing to be listed in the Shanghai Stock Exchange. Before moving to Shanghai, he had worked for Ernst and Young and a couple of companies which shares are listed in the Stock Exchange of Hong Kong. He has been admitted to the status of certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) since 1999.

SUPERVISORS

In accordance with Articles 124 of the Company's Articles of Association, Supervisors shall be elected at general meetings of the Company for a term of three years. Mr. Mao Jiang Wei, Mr. Wan Xi Zhong and Mr. Zhao Da Rong were the Supervisors of the Company during the year.

COMPLIANCE OFFICER

Mr. Gong Xu Lin resigned and Mr. Sui Hui Xing was appointed as compliance officer on 9 April 2014.

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) and Appendix 15 of the GEM Listing Rules, the Company wishes to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in the Appendix 15 of the GEM Listing Rules during the year.

(1) CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote good corporate governance, with the objectives of (i) the maintenance of responsible decision making; (ii) the improvement in transparency and disclosure of information to shareholders; (iii) the continuance in respect of the rights of shareholders and the recognition of the legitimate interests of the shareholders; and (iv) the improvement in management of risk and the enhancement of performance by the Company. The Company has applied in Appendix 15 of the GEM Listing Rules with these objectives in mind.

(2) DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors’ securities transactions 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. Having made specific enquiry of the directors of the Company, all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors.

BOARD OF DIRECTORS

The Board comprises of eight members, including three executive Directors, Mr. Zhou Jin Hui, Mr. Shi Hui Xing and Mr. Zhou Guo Ping, two non-executive Directors, Ms. Chai Xiao Fang and Mr. Shen Jian Zhong, and three independent non-executive Directors, Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Song Zi Zhang. Their term of office will end upon the commencement of the 2017 annual general meeting where re-election would be conducted.

CORPORATE GOVERNANCE REPORT

The Board conducted 10 meetings in 2014 to discuss and decide on development strategies, critical operational matters, financial affairs and other matters stipulated in the articles of association of the Company. The following table sets out the attendance of Directors' meetings in 2014 in details:

Directors		Number of Meetings/Attendance
Executive Directors	Mr. Zhou Jin Hui	10/10
	Mr. Shi Hui Xing (appointed on 10 April 2014)	9/9
	Mr. Zhou Guo Ping (appointed on 27 June 2014)	6/6
	Mr. Gong Xu Lin (resigned on 9 April 2014)	1/1
Non-executive Directors	Ms. Chai Xiao Fang	9/10
	Ms. Wang Xiang (resigned on 27 June 2014)	4/4
	Mr. Shen Jian Zhong (re-designed from executive director on 11 November 2014)	10/10
Independent non-executive Directors	Mr. Wang Guo Zhong	9/10
	Mr. Yang Chun Bao	10/10
	Mr. Zhang Cheng Ying (resigned on 11 November 2014)	10/10
	Mr. Song Zi Zhang (appointed on 11 November 2014)	N/A

CHAIRMAN AND GENERAL MANAGER

During the year 2014, Mr. Zhou Jin Hui and Mr. Shen Jian Zhong (replaced by Mr. Shi Hui Xing on 11 November 2014) is chairman and general manager, respectively, which are two clearly defined positions. The chairman is responsible for the operation of the Board while the general manager (equivalent to a chief executive) is in charge of daily management. The Articles of Association of the Company set out the respective functions of the chairman and the general manager in detail.

EMOLUMENTS OF DIRECTORS

In 2014, all Directors (other than executive director, Mr. Zhou Jin Hui, and non-executive director, Ms. Chai Xiao Fang) of the Company received emoluments for the year ended 31 December 2014. Details of emoluments of Directors are set out in note 7 of the financial statements.

APPOINTMENT OF DIRECTORS

Directors of the Company are elected at general meetings with a term of three years for each session. Directors can be re-elected upon expiration of the term. On 27 June 2014, the Company has appointed new Directors with a term until the commencement of the 2017 general meeting where re-election would be conducted.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to “A Guide For The Formation of An Audit Committee” compiled by the Hong Kong Institute of Certified Public Accountants. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee have been properly written out. The primary duties of the audit committee are to review and monitor the Company’s financial reporting process and internal control system. The audit committee for the year 2013 comprises of Yang Chun Bao and Zhang Cheng Ying, who are independent non-executive Directors and Chai Xiao Fang, who is a non-executive Director. Yang Chun Bao and Chai Xiao Fang possess appropriate professional qualification and financial experience.

4 meetings have been conducted by the audit committee in 2014 for reviewing and discussion of the operating results, financial position and significant accounting policies and internal auditing issues of the Company for the year ended 31 December 2013, for the six months ended 30 June 2014 and for the three months ended 31 March 2014 and 30 September 2014, and taking advice of auditors on the Company.

The following table sets out the attendance of the committee’s meeting in 2014:

Committee members	Attendance/Number of meetings
Yang Chun Bao	4/4
Zhang Cheng Ying (resigned on 11 November 2014)	4/4
Chai Xiao Fang	3/4
Song Zi Zhang (appointed on 11 November 2014)	N/A

REMUNERATION COMMITTEE

The Remuneration Committee of the Company for the year 2014 comprises of one executive Director, Zhou Jin Hui and two independent non-executive Directors, Yang Chun Bao and Zhang Cheng Ying (replaced by Mr. Song Zi Zhang on 11 November 2014), which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the remuneration committee. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for Directors and senior management of the Company and the establishment of formal and transparent procedures for formulating the remuneration policy.

The following table sets out the attendance of the committee’s meeting in 2014:

Committee members	Attendance/Number of meetings
Zhou Jin Hui	1/1
Yang Chun Bao	1/1
Zhang Cheng Ying (resigned on 11 November 2014)	1/1
Song Zi Zhang (appointed on 11 November 2014)	N/A

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company has established the Nomination Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary responsibilities include reviewing and supervising the framework, number of members and composition of the Board and making proposals to the Board in respect of any changes to be made and identifying and nominating suitable persons for appointment of Director.

As at 31 December 2014, the Nomination Committee comprises of one executive Director, Mr. Zhou Jin Hui and two independent non-executive Directors, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying (replaced by Mr. Song Zi Zhang on 11 November 2014), which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the nomination committee.

The following table sets out the attendance of the committee's meeting in 2014:

Committee members	Attendance/Number of meetings
Zhou Jin Hui	1/1
Yang Chun Bao	1/1
Zhang Cheng Ying (resigned on 11 November 2014)	1/1
Song Zi Zhang (appointed on 11 November 2014)	N/A

AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company by the auditors of the Company, Ascenda Cachet CPA Limited amounted to HK\$760,000 and HK\$190,000, respectively.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries are the manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products), provision of fire technology inspection services, manufacture and trading of iron casted grooved couplings and trading of sanitary-ware and other products.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company at the date are set out in the consolidated financial statements on pages 24 to 100.

The directors of the Company do not recommend the payment of any dividend in respect of the year (2013: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on pages 101 to 102. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant, equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL

There is no change in registered, issued and fully paid capital of the Company during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, redeem or sell any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Group and the Company during the year is set out in the consolidated statement of changes equity and in note 27 to the financial statements, respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2014, calculated under the Company Law of the People's Republic of China (the "PRC", being the jurisdiction in which the Company were established) amounted to Nil.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 39% of the total sales for the year and sales to the largest customer included therein amounted to approximately 30%. Purchases from the Group's five largest suppliers accounted for approximately 42% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 14%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors of the Company as of the date of this report were:

Executive Directors:

Mr. Zhou Jin Hui

Mr. Shi Hui Xing (appointed on 10 April 2014)

Mr. Zhou Guo Ping (appointed as non-executive director on 27 June 2014 and re-designated as executive director on 11 November 2014)

Mr. Gong Xu Lin (resigned on 10 April 2014)

Non-executive Directors:

Ms. Chai Xiao Fang

Mr. Shen Jian Zhong (re-designated from executive director to non-executive director on 11 November 2014)

Ms. Wang Xiang (resigned on 27 June 2014)

Independent non-executive directors:

Mr. Yang Chun Bao

Mr. Wang Guo Zhong

Mr. Song Zi Zhang (appointed on 11 November 2014)

Mr. Zhang Cheng Ying (resigned on 11 November 2014)

The Company has received annual confirmations of independence from Mr. Yang Chun Bao, Mr. Wang Guo Zhong and Mr. Song Zi Zhang and still considers them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 6 to 10 of the annual report.

DIRECTORS' REPORT

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company for a term of three years. Directors can be re-elected upon expiration of the term. On 27 June 2014, the Company has re-elected Directors with a term until the commencement of the 2017 general meeting where re-election would be conducted.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries were a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company nor any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long positions in shares of the Company

Name	Capacity	Number of shares	Approximate percentage of Share Capital total issued
Mr. Zhou Jin Hui (<i>Note 1</i>)	Held by controlled corporation	133,170,000	71.05%

Note:

1. Liancheng Fire-Fighting Group Company Limited ("Liancheng") holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Liancheng is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

Save as disclosed above, as at 31 December 2014, none of the Directors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified to the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Capacity	Number of shares	Approximate percentage of Share capital total registered
Liancheng Fire-Fighting Group Company Limited	Beneficial owner	131,870,000 (Note 1)	70.36%
	Held by controlled corporation	1,300,000 (Note 2)	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 (Note 1)	70.36%
	Held by controlled corporation	1,300,000 (Note 2)	0.69%
Mr. Zhou Jin Hui	Held by controlled corporation	131,870,000 (Note 1)	70.36%
	Held by controlled corporation	1,300,000 (Note 2)	0.69%

Notes:

- All represent domestic shares of the Company.
- Liancheng Fire-Fighting Group Company Limited ("Liancheng") hold 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Liancheng is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

Save as disclosed above, the Company has not been notified of any other relevant interests representing 5% or more in the issued shares capital of the Company as at 31 December 2014.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Company are set out in note 31 to the consolidated financial statements. The Company has sold fire extinguisher steel cylinders and aluminum cylinders to the subsidiaries of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.. The independent non-executive Directors have examined and confirmed that:

- (i) these transactions were executed in the ordinary and usual course of business of the Company;
- (ii) these transactions were executed on normal commercial terms or on terms not less favourable than those given to (or obtained from, wherever applicable) independent third parties (if no comparable transaction can be referred to judge whether the transaction was executed on normal commercial terms); and
- (iii) these transactions were executed in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole.

Ascenda Cachet CPA Limited ("Cachet"), the Company's auditors, had been engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Cachet have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Cachet has confirmed that:

- a. nothing has come to Cachet's attention that causes Cachet to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to Cachet's attention that causes Cachet to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- c. nothing has come to Cachet attention that causes Cachet to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the disclosed continuing connected transactions set out in note 31(a) to the financial statements under "Sales of goods" of related party transactions and balances, nothing has come to Cachet's attention that causes Cachet to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the announcement dated 3 April 2014 made by the Company in respect of the continuing connected transactions.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

AUDITORS

There have been no changes of auditors in the past three years. A resolution to re-appoint Ascenda Cachet CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

* *for identification purposes only*

INDEPENDENT AUDITORS' REPORT



13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

TO THE SHAREHOLDERS OF SHANGHAI QINGPU FIRE-FIGHTING EQUIPMENT CO., LTD.

(A joint stock limited company established in the People's Republic of China)

We have audited the consolidated financial statements of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 24 to 100, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ascenda Cachet CPA Limited

Certified Public Accountants

Chan Yuk Tong

Practising Certificate Number P03723

Hong Kong

20 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	<i>Notes</i>	2014 RMB'000	2013 <i>RMB'000</i>
Revenue	5	117,486	113,411
Cost of sales		<u>(96,119)</u>	<u>(90,024)</u>
Gross profit		21,367	23,387
Other income and gains	5	7,070	4,520
Selling and distribution expenses		(2,476)	(2,874)
Administrative expenses		<u>(17,496)</u>	<u>(15,226)</u>
Profit before tax	6	8,465	9,807
Income tax expense	9	<u>(2,463)</u>	<u>(1,718)</u>
Profit for the year		<u>6,002</u>	<u>8,089</u>
Attributable to:			
Owners of the Company		7,334	7,839
Non-controlling interests		<u>(1,332)</u>	<u>250</u>
		<u>6,002</u>	<u>8,089</u>
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE COMPANY <i>11</i>			
Basic (RMB cents)		<u>3.9</u>	<u>4.2</u>
Diluted (RMB cents)		<u>3.9</u>	<u>4.2</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
PROFIT FOR THE YEAR	6,002	8,089
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>6,002</u>	<u>8,089</u>
Attributable to:		
Owners of the Company	7,334	7,839
Non-controlling interests	<u>(1,332)</u>	<u>250</u>
	<u>6,002</u>	<u>8,089</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	<i>Notes</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>13</i>	11,957	14,005
Investment properties	<i>14</i>	27,140	24,370
Prepaid land lease payments	<i>15</i>	119	122
		<hr/>	<hr/>
Total non-current assets		39,216	38,497
CURRENT ASSETS			
Inventories	<i>17</i>	15,648	17,511
Trade and bills receivables	<i>18</i>	15,664	18,886
Prepayments, deposits and other receivables	<i>19</i>	14,804	16,237
Due from fellow subsidiaries	<i>20</i>	1,674	3,252
Cash and cash equivalents	<i>22</i>	36,211	25,267
		<hr/>	<hr/>
Total current assets		84,001	81,153
CURRENT LIABILITIES			
Trade payables	<i>23</i>	9,870	12,402
Other payables and accruals	<i>24</i>	10,422	11,036
Due to the immediate holding company	<i>25</i>	906	906
Due to non-controlling interests	<i>25</i>	1,451	1,496
Due to a related company	<i>25</i>	2,798	2,798
Tax payables		406	324
		<hr/>	<hr/>
Total current liabilities		25,853	28,962
NET CURRENT ASSETS			
		<hr/>	<hr/>
		58,148	52,191
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		97,364	90,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2014

	<i>Notes</i>	2014 RMB'000	2013 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Loan from the immediate holding company	25	7,800	7,800
Deferred tax liabilities	21(b)	5,063	4,370
Total non-current liabilities		12,863	12,170
Net assets		84,501	78,518
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	18,743	18,743
Reserves	27(a)	67,403	60,108
		86,146	78,851
Non-controlling interests		(1,645)	(333)
Total equity		84,501	78,518

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Issued capital	Share premium account*	Capital reserve*	Statutory reserve funds*	Discretionary common reserve fund*	Asset revaluation reserve*	Accumulated losses*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 26)	(note 27 (a)(i))	(note 27 (a)(ii))	(note 27 (a)(iii))	(note 27 (a)(iv))					
At 1 January 2013:	18,743	10,910	43,655	5,553	1,500	11,299	(20,613)	71,047	(344)	70,703
Profit and total comprehensive income for the year	-	-	-	-	-	-	7,839	7,839	250	8,089
Transfer to statutory reserve funds	-	-	-	317	-	-	(352)	(35)	35	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(274)	(274)
At 31 December 2013	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>5,870</u>	<u>1,500</u>	<u>11,299</u>	<u>(13,126)</u>	<u>78,851</u>	<u>(333)</u>	<u>78,518</u>
At 1 January 2014:	18,743	10,910	43,655	5,870	1,500	11,299	(13,126)	78,851	(333)	78,518
Profit and total comprehensive income for the year	-	-	-	-	-	-	7,334	7,334	(1,332)	6,002
Transfer to statutory reserve funds	-	-	-	368	-	-	(407)	(39)	39	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	300	300
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(319)	(319)
At 31 December 2014	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>6,238</u>	<u>1,500</u>	<u>11,299</u>	<u>(6,199)</u>	<u>86,146</u>	<u>(1,645)</u>	<u>84,501</u>

* These reserve accounts comprise the consolidated reserves of approximately RMB67,403,000 (2013: approximately RMB60,108,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	<i>Notes</i>	2014 RMB'000	2013 <i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,465	9,807
Adjustments for:			
Amortisation of prepaid land lease payments	6	3	3
Depreciation of property, plant and equipment	6	2,420	2,666
Loss/(gain) on disposal of items of property, plant and equipment	6	70	(116)
Gain on disposal of financial assets at fair value through profit or loss	5,6	(403)	–
Fair value gains on investment properties	5,6	(2,770)	(1,000)
Write-off of items of property, plant and equipment	6	1	10
Write-off of inventories due to the closure of a branch	6	406	–
Reversal of write down of inventories	5,6	(700)	–
Impairment of trade and bills receivables	6	1,000	400
Interest income	5,6	(392)	(248)
		8,100	11,522
Decrease in inventories		2,157	3,698
Decrease in trade and bills receivables		2,222	2,632
Decrease/(increase) in prepayments, deposits and other receivables		1,433	(9,109)
(Decrease)/increase in trade payables		(2,532)	1,726
(Decrease)/increase in other payables and accruals		(614)	3,397
Decrease/(increase) in amounts due from fellow subsidiaries		1,578	(2,408)
Cash generated from operations		12,344	11,458
Corporate income tax paid		(1,688)	(1,331)
Net cash flows from operating activities		10,656	10,127

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2014

	<i>Notes</i>	2014 RMB'000	2013 <i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	13	(533)	(442)
Proceeds from disposal of items of property, plant and equipment		90	439
Advance to non-controlling interest		–	250
Net proceeds from disposal of items of financial assets at fair value through profit or loss		403	–
Interest received		<u>392</u>	<u>248</u>
Net cash flows from investing activities		<u>352</u>	<u>495</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by non-controlling interest of a subsidiary		300	–
Repayment to the immediate holding company		–	(6,550)
Repayment to non-controlling interest		(45)	(364)
Dividend paid to non-controlling interest		<u>(319)</u>	<u>(274)</u>
Net cash flows used in financing activities		<u>(64)</u>	<u>(7,188)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>25,267</u>	<u>21,833</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>36,211</u>	<u>25,267</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>36,211</u>	<u>25,267</u>

STATEMENT OF FINANCIAL POSITION

31 December 2014

	<i>Notes</i>	2014 RMB'000	2013 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>13</i>	5,934	7,386
Investment properties	<i>14</i>	27,140	24,370
Prepaid land lease payments	<i>15</i>	119	122
Investment in subsidiaries	<i>16</i>	9,900	7,200
		<hr/>	<hr/>
Total non-current assets		43,093	39,078
CURRENT ASSETS			
Inventories	<i>17</i>	5,454	6,574
Trade and bills receivables	<i>18</i>	2,014	4,414
Prepayments, deposits and other receivables	<i>19</i>	8,395	10,776
Due from fellow subsidiaries	<i>20</i>	1,674	3,252
Due from subsidiaries	<i>16</i>	5,350	3,342
Cash and cash equivalents	<i>22</i>	22,382	14,418
		<hr/>	<hr/>
Total current assets		45,269	42,776
CURRENT LIABILITIES			
Trade payables	<i>23</i>	3,404	4,860
Other payables and accruals	<i>24</i>	7,152	8,856
Due to the immediate holding company	<i>25</i>	906	306
Tax payables		289	151
		<hr/>	<hr/>
Total current liabilities		11,751	14,173
NET CURRENT ASSETS		<hr/> 33,518	<hr/> 28,603
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 76,611	<hr/> 67,681

STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2014

	<i>Notes</i>	2014 RMB'000	2013 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Loan from the immediate holding company	25	7,800	7,800
Deferred tax liabilities	21(b)	5,063	4,370
Total non-current liabilities		12,863	12,170
Net assets		63,748	55,511
EQUITY			
Issued capital	26	18,743	18,743
Reserves	27(b)	45,005	36,768
Total equity		63,748	55,511

Director

Director

NOTES TO FINANCIAL STATEMENTS

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1. CORPORATE INFORMATION

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) as a collective enterprise under its former name of Shanghai Qingpu Fire-Fighting Equipment Factory (“上海青浦消防器材廠”). In 1999, it was transformed into a limited liability company. Through a series of equity transfers and capital injections in 2000, the Company was transformed into a joint stock limited liability company on 1 December 2000 and was renamed as Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (“上海青浦消防器材股份有限公司”). The registered office of the Company is located at No. 1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC and its principal place of business in Hong Kong is situated at Unit 2605, Island Place Tower, 510 King’s Road, North Point, Hong Kong.

On 30 June 2004, 55,560,000 new H shares in the Company were issued and listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, there were no significant changes in the Group’s principal activities, which are:

- manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);
- provision of fire technology inspection services;
- manufacture and trading of iron casted grooved couplings; and
- trading of sanitary-ware and other products.

In the opinion of the directors, the Company’s immediate holding company is 聯城消防集團股份有限公司 (literally translated as “Liancheng Fire-Fighting Group Joint Stock Co., Ltd.”, “Liancheng”), which is a limited liability company established in the PRC, and the ultimate holding company is 浙江恒泰房地產有限公司 (literally translated as “Zhejiang Hengtai Real Estate Company Limited”, “Zhejiang Hengtai”), which is a limited liability company established in the PRC.

NOTES TO FINANCIAL STATEMENTS

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2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) promulgated by the International Accounting Standards Board (“IASB”). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of consolidated financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. In addition, these consolidated financial statement include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of the Stock Exchange. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value.

As detailed in note 28 to the consolidated financial statements, on 29 July 2013, the Company and its direct 90%-owned subsidiary, 上海黎明消防檢測有限公司 (literally translated as “Shanghai Liming Fire Testing Co., Limited”, “Liming”), collectively completed the acquisition (the “Acquisition”) of the entire equity interests in Shanghai Anchor Pressure Vessel (Group) Co., Limited (“Anchor”, and collectively with its subsidiaries, Shanghai Yuanfeng Pressure Vessels Co. Limited, Shanghai J.S.X. International Trading Corporation and Special Cylinder, the “Anchor Group”) from Liancheng and Ms. Wang Sheng, an independent third party, resulting in an effective 99% equity interests in Anchor. In the opinion of the directors, the Acquisition was a business combination under common control since the Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition. Merger accounting was applied since 11 April 2011, the earlier the date the Anchor Group being controlled by Liancheng, as if the Acquisition had occurred at that time.

These consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. RMB is the Company’s functional and presentation currency.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO FINANCIAL STATEMENTS

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2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Acquisition under common control

The Acquisition (as defined in note 28 to the financial statements) is a business combination under common control since the Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition.

Acquisition under common control is accounted for using merger accounting. Merger accounting involves incorporating the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first come under the control of the controlling party. The net assets of the Group and the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the acquired entities' or business' identifiable assets, liabilities and contingent liabilities over cost of acquisition at the time of the business combinations under common control, to the extent of the continuation of the controlling party's interest. Any excess of the consideration paid over the net carrying amount of the acquired entities are recognised in capital reserve. The consolidated statements of profit and loss include the results of the Group and the acquired entities under common control since 1 January 2013, the earliest date presented.

NOTES TO FINANCIAL STATEMENTS

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2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised standards and new interpretations, which are applicable to the Group, for the first time for the current year's consolidated financial statements:

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC – Int 21	Levies
Amendment to IFRS 13 included in Annual Improvements 2010 – 2012 Cycle	Short-term Receivables and Payables
Amendment to IFRS 1 included in Annual Improvements 2011 – 2013 Cycle	Meaning of Effective IFRSs

Other than explained below regarding the impact of amendments to IFRS 10, IFRS 12, IAS 27 (2011), IAS 32 and IAS 36, and certain amendments included in Annual Improvements 2010 – 2012 Cycle, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

- (a) Amendments to IFRS 10 included a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.
- (b) The IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.
- (c) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

NOTES TO FINANCIAL STATEMENTS

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2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to IAS 1 IFRS 9	Disclosure Initiative ² Financial Instrument ⁴
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 11 IFRS 14	Accounting for Acquisition of Interests in Joint Operations ² Regulatory Deferral Account ²
IFRS 15	Revenue from Contracts with Customers ³
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ²
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendment to IAS 27 (2011)	Equity Method in Separate Financial Statements ²
Annual Improvements 2010 – 2012 Cycle	Amendments to a number of IFRSs ¹
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of IFRSs ¹
Annual Improvements 2012 – 2014 Cycle	Amendments to a number of IFRSs ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB published the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

NOTES TO FINANCIAL STATEMENTS

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2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. Merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control consolidation occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The assets and liabilities of the acquired entities or businesses are combined using the existing book values from the controlling party's perspective.

No amount is recognised as consideration for goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination, to the extent of the continuation of the controlling party's interest. Any excess of the consideration paid over the net carrying amount of the acquired entities are recognised in capital reserve.

Comparative amounts in the consolidated financial statements are presented using the principles as set out above as if the entities or businesses had been combined at the previous reporting date unless the combining entities or businesses first came under common control at a later date.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations not under common control and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination not under common control, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business not under common control, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations not under common control and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The useful lives for this purpose are as follows:

Buildings	Over the shorter of the lease terms and 40 years
Machineries	8 to 10 years
Furniture, fixtures and computer equipment	6 to 10 years
Motor vehicles	4 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of the investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, and amount due to/loan from the immediate holding company, amount due to non-controlling interest and a related company. The financial liabilities are classified and accounted for as loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) from the rendering of services, when the services are provided.
- (iii) rental income, on a time proportion basis over the lease terms; and
- (iv) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

The employees of the Group which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Renminbi (“RMB”), which is the Company’s and the Group’s functional and presentation currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of trade receivables and other receivables

The policy for the provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of property, plant and equipment and prepaid land lease payments

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions in response to severe industry cycle. Management will revise the depreciation charge where useful lives are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2014 was RMB27,140,000 (2013: RMB24,370,000).

Further details, including the key assumptions used for fair value measurement are given in note 14 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five (2013: five) reportable operating segments as follows:

- (i) Fire-fighting equipment segment – manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);
- (ii) Inspection services segment – provision of fire technology inspection services;
- (iii) Grooved couplings segment – manufacture and trading of iron casted grooved couplings;
- (iv) Trading segment – trading of sanitary-ware and other products; and
- (v) Property investment segment – invests in office building and industrial properties for its rental income potential.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment liabilities exclude amount due to/loan from the immediate holding company, amount due to non-controlling interest, amount due to a related company, tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

The Group operates principally in the PRC. Over 90% of the Group's revenue is derived from sales of goods and rendering of services in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, no further disclosures by reportable segments based on geographical segment were made.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2014

	Fire fighting equipment RMB'000	Inspection services RMB'000	Grooved couplings RMB'000	Trading RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue:						
Sales/services provided to external customers	70,858	9,051	510	37,067	-	117,486
Gross rental income	-	-	-	-	2,016	2,016
	<u>70,858</u>	<u>9,051</u>	<u>510</u>	<u>37,067</u>	<u>2,016</u>	<u>119,502</u>
Segments results	(2,088)	3,597	46	2,684	4,685	8,924
Reconciliation:						
Interest income						392
Other income						905
Corporate and unallocated expenses						<u>(1,756)</u>
Profit before tax						<u>8,465</u>
Segment assets	72,105	10,371	-	13,601	27,140	123,217
Unallocated assets						<u>-</u>
Total assets						<u>123,217</u>
Segment liabilities	14,117	615	-	5,560	-	20,292
Unallocated liabilities						<u>18,424</u>
Total liabilities						<u>38,716</u>
Capital expenditure	502	31	-	-	-	533
Depreciation and amortisation	<u>2,224</u>	<u>199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,423</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2013

	Fire fighting equipment <i>RMB'000</i>	Inspection services <i>RMB'000</i>	Grooved couplings <i>RMB'000</i>	Trading <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:						
Sales/services provided to external customers	83,193	7,954	10,006	12,258	–	113,411
Gross rental income	–	–	–	–	2,442	2,442
	<u>83,193</u>	<u>7,954</u>	<u>10,006</u>	<u>12,258</u>	<u>2,442</u>	<u>115,853</u>
Segments results	1,959	3,807	858	260	3,320	10,204
Reconciliation:						
Interest income						248
Other income						330
Corporate and unallocated expenses						<u>(975)</u>
Profit before tax						<u>9,807</u>
Segment assets	73,799	7,223	–	14,258	24,370	119,650
Unallocated assets						<u>–</u>
Total assets						<u>119,650</u>
Segment liabilities	16,559	526	–	6,353	–	23,438
Unallocated liabilities						<u>17,694</u>
Total liabilities						<u>41,132</u>
Capital expenditure	420	22	–	–	–	442
Depreciation and amortisation	2,465	175	–	–	–	2,640
Unallocated depreciation and amortisation	–	–	–	–	–	29
Total depreciation and amortisation	<u>2,465</u>	<u>175</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,669</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from transactions with a single external customer of approximately RMB35,754,000 (2013: RMB11,486,000), which represented more than 10% of the Group's revenue, was derived from trading of products segment. This customer is an independent third party.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of sale of pressure vessels (including fire fighting equipment products and pressure vessels products), provision of fire technology inspection services, trading of iron casted grooved couplings and trading of sanitary-ware and other products, net of business tax, value-added tax, trade discounts and returns during the year.

An analysis of revenue, other income and gains is as follows:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Sales of pressure vessels	70,858	83,193
Inspection services rendered	9,051	7,954
Trading of iron casted grooved couplings	510	10,006
Trading of sanitary-ware and other products	37,067	12,258
	<hr/>	<hr/>
Total revenue	117,486	113,411
	<hr/>	<hr/>
Other income and gains		
Interest income	392	248
Gross rental income	2,016	2,442
Sales of scraps	287	384
Reversal of write down of inventories	700	–
Fair value gains on investment properties (note 14)	2,770	1,000
Gain on disposal of items of property, plant and equipment	–	116
Gain on disposal of financial assets at fair value through profit or loss	403	–
Others	502	330
	<hr/>	<hr/>
Total other income and gains	7,070	4,520
	<hr/>	<hr/>
Total revenue, other income and gains	124,556	117,931
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Cost of inventories sold*	92,230	87,008
Cost of services provided^	<u>3,889</u>	<u>3,016</u>
	<u>96,119</u>	<u>90,024</u>
Amortisation of prepaid land lease payments	3	3
Depreciation of property, plant and equipment	2,420	2,666
Exchange losses, net	15	14
Minimum lease payments under operating leases:		
land and buildings	534	619
Auditors' remuneration	603	346
Add: under-provision for previous year	<u>287</u>	<u>-</u>
	<u>890</u>	<u>346</u>
Write-off of items of property, plant and equipment	1	10
Impairment of trade and bills receivables	1,000	400
Write-off of inventory due to closure of a branch	406	-
Employee benefits expenses (including directors' and supervisors' remuneration (note 7)):		
Wages and salaries	13,180	14,248
Pension scheme contributions	<u>4,184</u>	<u>3,997</u>
	<u>17,364</u>	<u>18,245</u>
Gain on disposal of financial assets		
at fair value through profit or loss	(403)	-
Loss/(gain) on disposal of items of property, plant and equipment	70	(116)
Rental income on investment properties less direct operating expenses of RMB101,000 (2013: RMB122,000)	(1,915)	(2,320)
Reversal of write down of inventories	(700)	-
Fair value gains on investment properties	(2,770)	(1,000)
Interest income	<u>(392)</u>	<u>(248)</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

6. PROFIT BEFORE TAX (CONTINUED)

* The cost of inventories sold includes depreciation charges and salaries of approximately RMB2,258,000 and RMB7,796,000 (2013: RMB2,246,000 and RMB8,625,000), respectively, which are also included in the respective total amounts disclosed above.

^ The cost of services provided includes salaries of approximately RMB565,000 (2013: RMB655,000), which is also included in staff costs disclosed above.

7. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Directors' fees:		
Independent non-executive directors	<u>90</u>	<u>90</u>
Other emoluments:		
Salaries, allowances and benefits in kind	240	96
Pension scheme contributions	<u>70</u>	<u>26</u>
	<u>310</u>	<u>122</u>
	<u>400</u>	<u>212</u>
Supervisors' emoluments:		
Salaries, allowances and other benefits in kind	<u>110</u>	<u>–</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

7. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Yang Chun Bao	30	30
Mr. Zhang Cheng Ying (resigned on 11 November 2014)	25	30
Mr. Wang Guo Zhong	30	30
Mr. Song Zi Zhang (appointed on 11 November 2014)	5	–
	90	90

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2014

7. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and supervisors

Year ended	<i>Notes</i>	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2014					
<i>Executive directors</i>					
Zhou Jin Hui		-	-	-	-
Gong Xu Lin	<i>(a)</i>	-	-	-	-
Shi Hui Xing	<i>(b) & (f)</i>	-	108	46	154
Zhou Guo Ping	<i>(c)</i>	-	36	11	47
		-	144	57	201
<i>Non-executive directors</i>					
Chai Xiao Fang		-	-	-	-
Wang Xiang	<i>(d)</i>	-	-	-	-
Shen Jian Zhong	<i>(e)</i>	-	96	13	109
		-	96	13	109
		-	240	70	310
<i>Supervisors</i>					
Mao Jiang Wei		-	-	-	-
Zhao Da Rong		-	46	5	51
Wan Xi Zhong		-	51	8	59
		-	97	13	110
Total		-	337	83	420

(a) resigned on 10 April 2014.

(b) appointed on 10 April 2014.

(c) appointed as non-executive director on 27 June 2014 and re-designed as executive director on 11 November 2014.

(d) resigned on 27 June 2014.

(e) re-designed from executive director to non-executive direction on 11 November 2014.

(f) Mr. Shi Hui Xing was appointed as executive director on 10 April 2014. Prior to that date, he was an employee of the Group, his salary for the period from 1 January 2014 to 9 April 2014 was included in "Employee benefits expenses" in note 6 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

7. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and supervisors (Continued)

	<i>Notes</i>	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2013					
<i>Executive directors</i>					
Zhou Jin Hui		–	–	–	–
Gong Xu Lin		–	–	–	–
Shen Jian Zhong	<i>(e)</i>	–	96	26	122
		–	96	26	122
<i>Non-executive directors</i>					
Chai Xiao Fang		–	–	–	–
Wang Xiang		–	–	–	–
		–	–	–	–
<i>Supervisors</i>					
Mao Jiang Wei		–	–	–	–
Zhao Da Rong		–	–	–	–
Wan Xi Zhong		–	–	–	–
		–	–	–	–
Total		–	96	26	122

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2013: Nil).

The remuneration of the above directors and supervisors for the years ended 31 December 2013 and 2014 were below RMB1,000,000.

NOTES TO FINANCIAL STATEMENTS

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8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2013: one) director, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining four (2013: four) highest paid employees who are neither a director nor supervisor of the Company, are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	476	539
Pension scheme contributions	157	82
	633	621

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Group	
	Number of employees	
	2014	2013
Nil to RMB1,000,000	4	4

NOTES TO FINANCIAL STATEMENTS

31 December 2014

9. INCOME TAX

No provision for Hong Kong profits tax have been made as the Group had no assessable profits arising in Hong Kong during the year (2013: Nil). Under the Corporate Income Tax Law, the corporate income tax (“CIT”) rate is calculated at a rate of 25% (2013: 25%) on the Group’s estimated assessable profits for the year ended 31 December 2014.

Pursuant to an approval document issued by the Shanghai Municipal Bureau of Local Taxation, one of the Company’s subsidiaries has been designated as a small low-profit services enterprise and was subject to the concessionary tax rate of 2.5%. Under the Corporate Income Tax Law, the CIT rate is calculate at a rate of 25% on the 10% revenue generated by one of the Company’s subsidiaries for the years ended 31 December 2013 and 2014.

	2014	2013
	RMB’000	RMB’000
Group:		
Current – the PRC:		
Charge for the year	1,761	1,380
Under-provision in prior year	9	88
Deferred (<i>note 21(b)</i>)	693	250
	<hr/>	<hr/>
Total tax charge for the year	<u>2,463</u>	<u>1,718</u>

The tax effect of temporary differences for deferred tax assets was not recognised in the financial statements due to the uncertainty of future profits streams against which the assets can be utilised. These tax losses benefit will be expired in the next five years, details refer to note 21(a) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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9. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2014		Group		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	<u>8,465</u>		<u>9,807</u>			
Tax at statutory tax rate	2,116	25	2,452	25		
Effect of concessionary tax rate	(918)	(11)	(843)	(9)		
Tax effect of non-deductible expenses	264	3	261	3		
Tax effect of non-taxable income	(262)	(3)	(165)	(1)		
Tax effect on temporary differences not recognised (note 21(a))	351	4	148	1		
Tax effect of tax losses not recognised/ (utilised) (note 21(a))	696	8	(223)	(2)		
Under-provision in prior year	9	–	88	1		
Others	<u>207</u>	<u>3</u>	<u>–</u>	<u>–</u>		
Tax charge at the Group's effective tax rate	<u>2,463</u>	<u>29</u>	<u>1,718</u>	<u>18</u>		

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a profit of RMB5,366,000 (2013: RMB4,688,000) which has been dealt with in the financial statements of the Company (note 27(b)).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company of RMB7,334,000 (2013: RMB7,839,000) and the number of ordinary shares of 187,430,000 (2013: 187,430,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 December 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

12. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000 <i>(Note a)</i>	Machineries RMB'000	Furniture, fixtures and computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2014					
At 1 January 2014:					
Cost	3,855	44,653	2,165	2,456	53,129
Accumulated depreciation	(864)	(34,763)	(1,873)	(1,624)	(39,124)
Net carrying amount	<u>2,991</u>	<u>9,890</u>	<u>292</u>	<u>832</u>	<u>14,005</u>
At 1 January 2014, net of accumulated depreciation					
	2,991	9,890	292	832	14,005
Additions	136	167	167	63	533
Write-off	-	-	-	(1)	(1)
Disposals	-	(155)	(1)	(4)	(160)
Depreciation provided during the year	(98)	(1,971)	(88)	(263)	(2,420)
At 31 December 2014, net of accumulated depreciation	<u>3,029</u>	<u>7,931</u>	<u>370</u>	<u>627</u>	<u>11,957</u>
At 31 December 2014:					
Cost	3,991	44,500	2,302	2,367	53,160
Accumulated depreciation	(962)	(36,569)	(1,932)	(1,740)	(41,203)
Net carrying amount	<u>3,029</u>	<u>7,931</u>	<u>370</u>	<u>627</u>	<u>11,957</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings <i>RMB'000</i> <i>(Note a)</i>	Machineries <i>RMB'000</i>	Furniture, fixtures and computer equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2013					
At 1 January 2013					
Cost	3,855	44,344	2,277	3,652	54,128
Accumulated depreciation	<u>(775)</u>	<u>(32,752)</u>	<u>(1,891)</u>	<u>(2,148)</u>	<u>(37,566)</u>
Net carrying amount	<u>3,080</u>	<u>11,592</u>	<u>386</u>	<u>1,504</u>	<u>16,562</u>
At 1 January 2013, net of accumulated depreciation					
	3,080	11,592	386	1,504	16,562
Additions	–	421	21	–	442
Write-off	–	(10)	–	–	(10)
Disposals	–	(6)	(34)	(283)	(323)
Depreciation provided during the year	<u>(89)</u>	<u>(2,107)</u>	<u>(81)</u>	<u>(389)</u>	<u>(2,666)</u>
At 31 December 2013, net of accumulated depreciation					
	<u>2,991</u>	<u>9,890</u>	<u>292</u>	<u>832</u>	<u>14,005</u>
At 31 December 2013:					
Cost	3,855	44,653	2,165	2,456	53,129
Accumulated depreciation	<u>(864)</u>	<u>(34,763)</u>	<u>(1,873)</u>	<u>(1,624)</u>	<u>(39,124)</u>
Net carrying amount	<u>2,991</u>	<u>9,890</u>	<u>292</u>	<u>832</u>	<u>14,005</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Buildings <i>RMB'000</i>	Machineries <i>RMB'000</i>	Furniture, fixtures and computer equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2014					
At 1 January 2014:					
Cost	3,855	19,495	1,230	169	24,749
Accumulated depreciation	<u>(864)</u>	<u>(15,235)</u>	<u>(1,114)</u>	<u>(150)</u>	<u>(17,363)</u>
Net carrying amount	<u>2,991</u>	<u>4,260</u>	<u>116</u>	<u>19</u>	<u>7,386</u>
At 1 January 2014, net of accumulated depreciation					
	2,991	4,260	116	19	7,386
Additions	136	56	2	63	257
Write-off	-	-	-	(1)	(1)
Disposals	-	(151)	-	-	(151)
Depreciation provided during the year	<u>(98)</u>	<u>(1,425)</u>	<u>(20)</u>	<u>(14)</u>	<u>(1,557)</u>
At 31 December 2014, net of accumulated depreciation					
	<u>3,029</u>	<u>2,740</u>	<u>98</u>	<u>67</u>	<u>5,934</u>
At 31 December 2014:					
Cost	3,991	19,257	1,232	155	24,635
Accumulated depreciation	<u>(962)</u>	<u>(16,517)</u>	<u>(1,134)</u>	<u>(88)</u>	<u>(18,701)</u>
Net carrying amount	<u>3,029</u>	<u>2,740</u>	<u>98</u>	<u>67</u>	<u>5,934</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Buildings <i>RMB'000</i>	Machineries <i>RMB'000</i>	Furniture, fixtures and computer equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2013					
At 1 January 2013:					
Cost	3,855	19,363	1,228	468	24,914
Accumulated depreciation	<u>(775)</u>	<u>(13,740)</u>	<u>(1,091)</u>	<u>(415)</u>	<u>(16,021)</u>
Net carrying amount	<u>3,080</u>	<u>5,623</u>	<u>137</u>	<u>53</u>	<u>8,893</u>
At 1 January 2013, net of accumulated depreciation					
	3,080	5,623	137	53	8,893
Additions	-	207	2	-	209
Write-off	-	(9)	-	-	(9)
Disposals	-	-	-	(12)	(12)
Depreciation provided during the year	<u>(89)</u>	<u>(1,561)</u>	<u>(23)</u>	<u>(22)</u>	<u>(1,695)</u>
At 31 December 2013, net of accumulated depreciation					
	<u>2,991</u>	<u>4,260</u>	<u>116</u>	<u>19</u>	<u>7,386</u>
At 31 December 2013:					
Cost	3,855	19,495	1,230	169	24,749
Accumulated depreciation	<u>(864)</u>	<u>(15,235)</u>	<u>(1,114)</u>	<u>(150)</u>	<u>(17,363)</u>
Net carrying amount	<u>2,991</u>	<u>4,260</u>	<u>116</u>	<u>19</u>	<u>7,386</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The buildings together with the leasehold land (note 15) are situated in the PRC under medium term leases.

Note : As detailed in note 16 to the financial statements, the legal title of the Relevant Property (as defined in note 16 to the financial statements) has not yet been transferred to one of the Company's indirectly owned subsidiary named Shanghai Pressure Special Gas Cylinder Co., Limited ("Special Cylinder") as at the end of the reporting period and the date of the financial statements, but the Relevant Property has been used by Special Cylinder. As Guangyang (as defined in note 16) is still the legal owner of the Relevant Property, the prepaid land lease payments and buildings have not been recognised but included in non-controlling interests in the consolidated statement of financial position as at 31 December 2014 and 2013. Accordingly, the amortisation/depreciation of the Relevant Property of approximately RMB296,000 for each of the year ended 31 December 2013 and 2014 was not provided for in the consolidated financial statements.

14. INVESTMENT PROPERTIES

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	24,370	23,370
Net gain from fair value adjustment	2,770	1,000
	<u>27,140</u>	<u>24,370</u>
Carrying amount at 31 December	27,140	24,370

The investment properties are situated in the PRC under medium term leases.

	Commercial property	Industrial property	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January, 2014	5,770	18,600	24,370
Net gain from fair value adjustment	(580)	3,350	2,770
	<u>5,190</u>	<u>21,950</u>	<u>27,140</u>
Carrying amount at 31 December, 2014	5,190	21,950	27,140

The Group's and the Company's investment properties consist of commercial and industrial properties in the PRC. The investment properties were revalued on 31 December 2014 by Asset Appraisal Limited, independent professional qualified valuers, at RMB27,140,000. The net gain on fair value adjustment of RMB2,770,000 is recognised in the line item "other income and gain" (note 5) in the statement of profit and loss.

NOTES TO FINANCIAL STATEMENTS

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14. INVESTMENT PROPERTIES (CONTINUED)

The Group's finance department, including the finance manager, reviewed the valuation performed by the independent valuer for financial reporting purpose. At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's and the Company's investment properties:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable input (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Commercial property located in the PRC	–	5,190	–	5,190
Industrial property located in the PRC	–	21,950	–	21,950
	–	27,140	–	27,140

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14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

	Fair value measurement as at 31 December 2013 using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable input (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Recurring fair value measurement for:				
Commercial property located in the PRC	–	–	5,770	5,770
Industrial property located in the PRC	–	–	18,600	18,600
	–	–	24,370	24,370

Below is a summary of the valuation techniques used and key inputs to the valuation of investment property as at 31 December 2013:

For the year ended 31 December 2013

Description	Fair value at 31 December 2013	Valuation techniques	Unobservable inputs	Range of unobservable Inputs	Relationship of unobservable inputs to fair value
Commercial property	RMB5,770,000	Income approach (term and reversionary method)	Rental value Adjustment on term yield	RMB86.76 per month per square meter 5.5%	The higher the rental value, the higher the fair value The higher the reversionary yield, the lower the fair value
Industrial property	RMB18,600,000	Income approach (term and reversionary method)	Rental value Adjustment on term yield	RMB14-RMB47 per month per square meter 9%	The higher the rental value, the higher the fair value The higher the reversionary yield, the lower the fair value

NOTES TO FINANCIAL STATEMENTS

31 December 2014

14. INVESTMENT PROPERTIES (CONTINUED)

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 29(a) to the financial statements.

During the year, there was transfer in the fair value measurement of commercial property and industrial property from Level 3 to Level 2 due to the changes in valuation method from income approach to market approach inputs. In the opinion of the directors, the change of valuation method would be more effectively reflect the fair value of the Group's and the Company's commercial property and industrial property. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of reporting period in which they occur.

The fair value of commercial property and industrial property in the PRC were measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustment and hence the investment properties were classified as Level 2 of the fair value hierarchy as at 31 December 2014.

Particulars of investment properties as at 31 December 2013 and 2014:

Location	Use	Tenure	Attributable interest of the Group
Unit 1202, No.4 of 4621 Nong Jiaotong Road, Taopu Town, Putuo District, Shanghai, PRC	Commercial	Medium term lease	100%
青浦區重固鎮大街740號及777號; 青浦區重固鎮鎮南街88丘 (Literally - translated as No. 740 & No. 777, Zhonggu Town Street, Qingpu District, Shanghai, the PRC; No. 88, Zhen Nan Street, Zhonggu Town, Qingpu District, Shanghai, the PRC)	Industrial	Medium term lease	100%

NOTES TO FINANCIAL STATEMENTS

31 December 2014

15. PREPAID LAND LEASE PAYMENTS

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	125	128
Amortisation during the year	(3)	(3)
	<u>122</u>	<u>125</u>
Carrying amount at 31 December	122	125
Current portion included in prepayments, deposits and other receivables (note 19)	(3)	(3)
	<u>119</u>	<u>122</u>
Non-current portion	<u>119</u>	<u>122</u>

The leasehold land together with the buildings (note 13) is situated in the PRC under medium term leases.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	<u>9,900</u>	<u>7,200</u>
Due from subsidiaries	<u>5,350</u>	<u>3,342</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries of the Company were as follows:

Name	Place of establishment and business	Registered capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
上海黎明消防檢測有限公司* (Shanghai Liming Fire Testing Co., Limited) ("Liming")	The People's Republic of China (The "PRC")	RMB5,000,000 (2013: RMB 2,000,000)	90%	–	Provision of fire technology inspection services
上海鐵錨壓力容器(集團)有限公司*+ (Shanghai Anchor Pressure Vessel (Group) Limited) ("Anchor")	The PRC	RMB70,000,000	90%	9%	Investment holding
上海元奉高壓容器有限公司*+ (Shanghai Yuanfeng Pressure Vessels Co., Limited)	The PRC	RMB5,000,000	–	94.05%	Manufacturing and sales of pressure vessels
上海元蓬國際貿易有限公司*+ (Shanghai J.S.X. International Trading Corporation)	The PRC	RMB5,000,000	–	94.05%	Trading of pressure vessels
上海高壓特種氣瓶有限公司*@+ (Shanghai Pressure Special Gas Cylinder Co., Limited) ("Special Cylinder")	The PRC	RMB19,170,000#	–	59.4%	Manufacturing and sales of pressure vessels

* Ascenda Cachet CPA Limited is not the statutory auditor of the subsidiaries.

+ These subsidiaries are registered as limited liability companies established in the PRC.

@ Pursuant to the supplemental agreement entered between Anchor and the non-controlling interest, 54% and 46% of the net profit of Special Cylinder would be shared by Anchor and non-controlling interest, respectively.

Pursuant to the business licence of Special Cylinder, the total registered/paid up capital of Special Cylinder is RMB19.17 million, of which 40% of the capital should be contributed by 上海洋涇工業公司 (literally translated as Shanghai Yangjing Industrial Co., "Yangjing"), by transferring the legal title of the land use right together with the property and buildings constructed thereon (the "Relevant Property") to Special Cylinder. The legal title of the Relevant Property has not yet been transferred to Special Cylinder as at the end of the reporting period and date of the financial statements. The legal title of the Relevant Property is held by 上海廣洋企業發展總公司 (literally translated as Shanghai Guangyang Enterprise Development Corp., the holding company of Yangjing, "Guangyang") but the Relevant Property has been used by Special Cylinder. As Guangyang is still the legal owner of the Relevant Property, the prepaid land lease payments and buildings have not been recognised but included in non-controlling interests in the consolidated statement of financial position as at 31 December 2013 and 2014. Accordingly, the amortisation/depreciation of the Relevant Property of approximately RMB296,000 for each of the year ended 31 December 2013 and 2014, was not provided for in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

During the year ended 31 December 2013, the Company and its subsidiary, Liming, collectively completed the Acquisition of the entire equity interests in Anchor from Liancheng, the immediate holding company of the Company, and Mr. Wang Sheng, an independent third party, resulting in an effective 99% equity interests in Anchor. In the opinion of the directors, the Acquisition is a business combination under common control since the Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition. The Acquisition under common control is therefore accounted for using merger accounting. Further details of the Acquisition are set out in note 28 to the financial statements.

As advised by the PRC legal advisers to the Group, (i) the entity(ies) recorded in the register of equity interest holders shall be recognised as the legal equity interest holders of the company and such entity(ies) can legally claim and exercise its rights as an equity interest holder of the company; (ii) Yangjing was, and is, recorded in the Company Shareholder (Promoter) Investment Information (公司股東(發起人)出資信息) of Special Cylinder, which is a type of register of equity interest holders, as the holder of 40% equity interest in Special Cylinder, and therefore, Yangjing was, and is, the legal holder of the 40% equity interest in Special Cylinder; and (iii) Yangjing's status as the legal holder of 40% equity interest in Special Cylinder shall not be affected by the failure of Yangjing in completing its capital contribution obligation but pursuant to the PRC Company Law and judicial interpretations thereto, Special Cylinder is entitled to require Yangjing to procure the transfer of the legal title of the Relevant Property to Special Cylinder.

17. INVENTORIES

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	5,517	6,394	1,705	2,696
Work in progress	4,626	4,957	2,396	2,331
Finished goods	5,387	5,947	1,259	1,423
Low cost consumables	118	213	94	124
	15,648	17,511	5,454	6,574

NOTES TO FINANCIAL STATEMENTS

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18. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	17,529	18,888	2,014	4,006
Less: Impairment	(1,909)	(909)	–	–
	<u>15,620</u>	<u>17,979</u>	<u>2,014</u>	<u>4,006</u>
Bills receivables	44	907	–	408
	<u>15,664</u>	<u>18,886</u>	<u>2,014</u>	<u>4,414</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to half year for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The movements in provision for impairment of trade and bills receivables are as follows:

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	909	509	–	–
Impairment losses recognised	1,000	400	–	–
At 31 December	<u>1,909</u>	<u>909</u>	<u>–</u>	<u>–</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB1,909,000 (2013: approximately RMB909,000) with carrying amounts before provision of approximately RMB1,980,000 (2013: approximately RMB976,000).

NOTES TO FINANCIAL STATEMENTS

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18. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aged analysis of the trade and bills receivables as at the end of reporting period, based on the invoice date, is as follows:

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	5,822	6,139	688	1,005
1 to 2 months	2,502	3,681	258	860
2 to 3 months	1,657	1,570	81	159
Over 3 months	5,683	7,496	987	2,390
	15,664	18,886	2,014	4,414

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	10,211	12,283	1,027	2,024
Less than 1 month past due	1,822	2,141	294	616
1 to 3 months past due	956	1,395	67	463
More than 3 months past due	2,604	3,000	626	1,311
	15,593	18,819	2,014	4,414

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO FINANCIAL STATEMENTS

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19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	1,665	1,893	420	416
Trade deposits paid	11,165	12,240	6,919	9,633
Prepaid land lease payments (<i>note 15</i>)	3	3	3	3
Other receivables	1,971	2,101	1,053	724
	14,804	16,237	8,395	10,776

None of the above assets is either past due or impaired (2013: Nil). The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. DUE FROM FELLOW SUBSIDIARIES

		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group and Company			
Name			
<i>Fellow subsidiaries</i>			
上海石化消防工程有限公司			
(literally translated as “Shanghai Petro-Chemical Fire-fighting Engineering Company Limited”, “SPFE”)	(i)	1,007	880
上海聯滬消防器材有限公司			
(literally translated as “Shanghai Lianhu Fire-fighting Equipment Company Limited”, “SLFE”)	(i)	667	2,372
		1,674	3,252

Note

- (i) SPFE and SLFE are controlled by Zhejiang Hengtai, the ultimate holding company of the Group. The amounts due from these fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. These balances as at 31 December 2013 and 2014 were trade in nature.

NOTES TO FINANCIAL STATEMENTS

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21. DEFERRED TAX

a) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses and impairment of trade receivables and provision for inventories (the “Impairment of Assets”) arising from the operation in the PRC as it is not considered probable that future taxable profits will be available against which the losses could be utilised. During the year, no unused tax loss of the Group has expired (2013: Nil).

At the end of the reporting periods, the movement of unrecognised deferred tax assets in respect of tax losses and other assets of the Group are as follows:

	Impairment of assets RMB'000	Group Tax losses RMB'000	Total RMB'000
At 1 January 2013	140	372	512
Under-estimation in previous year	–	14	14
Not recognised/(utilised) during the year (note 9)	148	(223)	(75)
	<u>288</u>	<u>163</u>	<u>451</u>
At 31 December 2013 and 1 January 2014			
Not recognised during the year (note 9)	351	696	1,047
	<u>639</u>	<u>859</u>	<u>1,498</u>

At the end of the reporting period, the Group’s tax losses will be expired in the following years:

	Group	
	2014	2013
	RMB'000	RMB'000
In 2019	2,784	–
In 2018	–	–
In 2017	–	–
In 2016	–	–
In 2015	652	652
In 2014	–	–
	<u>3,436</u>	<u>652</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

21. DEFERRED TAX (CONTINUED)

b) Deferred tax liabilities

	Group and Company Fair value changes in the investment properties RMB'000
At 1 January 2013	4,120
Deferred tax charged to the statement of profit or loss during the year (<i>note 9</i>)	<u>250</u>
At 31 December 2013 and 1 January 2014	4,370
Deferred tax charged to the statement of profit or loss during the year (<i>note 9</i>)	<u>693</u>
At 31 December 2014	<u><u>5,063</u></u>

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	36,008	25,121	22,195	14,284
Cash on hand	203	146	187	134
	<u>36,211</u>	<u>25,267</u>	<u>22,382</u>	<u>14,418</u>

The cash and bank balances were denominated in Renminbi (“RMB”). RMB is not freely convertible into other currencies. However, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

23. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	2,562	4,886	592	2,096
1 to 2 months	1,903	1,207	759	580
2 to 3 months	1,613	1,454	428	140
Over 3 months	3,792	4,855	1,625	2,044
	9,870	12,402	3,404	4,860

All of the trade payables are non-interest bearing and are normally settled within one year.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	2,315	3,366	963	2,045
Accruals	1,591	935	612	533
Trade deposits received	6,282	6,547	5,577	6,155
Value added tax payables	234	188	–	123
	10,422	11,036	7,152	8,856

Other payables and accruals are non-interest bearing and normally settled within one year.

NOTES TO FINANCIAL STATEMENTS

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25. DUE TO/LOAN FROM THE IMMEDIATE HOLDING COMPANY, DUE TO NON-CONTROLLING INTEREST AND A RELATED COMPANY

Long term loan from the immediate holding company

On 3 December 2010, Zhejiang Hengtai (the ultimate controlling shareholder) and Liancheng (the immediate holding company) have undertaken to collectively provide to the Company with an unsecured interest-free shareholders' loan facility in the sum of not exceeding RMB50 million (the "Facility") for a term of five years from 30 May 2010. The Facility could be extended at the discretion of Liancheng for another two years. On 30 November 2014, Liancheng agreed to further extend the term of the Facility to 30 May 2016. As at 31 December 2014, the accumulated amount of the loan drawn-down by the Company from Liancheng under the Facility was RMB7,800,000 (2013: RMB7,800,000).

Liancheng has also made advances to certain subsidiaries of the Company. These amounts due to Liancheng are unsecured, interest-free and have no fixed terms of repayment.

The amounts due to non-controlling interests and a related company are unsecured, interest-free and have no fixed terms of repayment.

The shareholder of the related company is one of the directors of the Company.

26. SHARE CAPITAL

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Registered, issued and fully paid:		
131,870,000 unlisted domestic shares ("Domestic Shares") of RMB0.10 each	13,187	13,187
55,560,000 overseas listed foreign invested shares ("H Shares") of RMB0.10 each	<u>5,556</u>	<u>5,556</u>
	<u>18,743</u>	<u>18,743</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

27. RESERVES

a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

Share premium arose from the issuance of share at prices in excess of their par value.

(ii) Capital reserve

	Other reserve	Reversal of revaluation surplus of property, plant and equipment	Waiver of amount due to the immediate holding company	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2013 and at 31 December 2014	<u>18,521</u>	<u>(1,733)</u>	<u>26,867</u>	<u>43,655</u>

Reversal of revaluation surplus of property, plant and equipment

Pursuant to a shareholders' resolution in October 2000, the Company was converted from a limited liability company into a joint stock limited liability company on 1 December 2000. The Company's registered and issued share capital was RMB13,187,000, divided into 131,870,000 Domestic Shares of RMB0.10 each, and was credited as fully paid by capitalising all the Company's then paid-in capital and reserves, calculated based on the Company's PRC GAAP financial statements.

The deficit of approximately RMB1,733,000 in capital reserve of the Company represents the excess of the net assets of the Company calculated based on its PRC GAAP financial statements over that calculated based on its financial statements prepared under IFRS when the conversion took place in 2000. Such excess was resulted from a transfer of equity capital between investors of Shanghai Qingpu Fire-Fighting Equipment Factory in 1996, the Company's property, plant and equipment was revalued, and a revaluation surplus of approximately RMB1,733,000 was recorded as paid-in capital in its PRC GAAP financial statements. In the Group's financial statements prepared under IFRS, all property, plant and equipment was stated at historical cost. Accordingly, an adjustment of the same amount was recorded as a deficit of capital reserve.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

27. RESERVES (CONTINUED)

a) Group (Continued)

(ii) Capital reserve (Continued)

Other reserve

As detailed in note 28 to the financial statements, this reserve arose from the acquisition of the Anchor Group from Liancheng (immediate holding company) and represents the difference between (i) the consideration paid by the Company to Liancheng and (ii) the net assets of the Anchor Group at the date of 11 April 2011 (being the acquisition date of the Anchor Group by Liancheng).

(iii) Statutory reserve fund

According to PRC regulations and the relevant Articles of Association, each of the Company and its subsidiaries established in the PRC is required to transfer 10% of its respective profit after tax, as determined under the PRC accounting standards and regulations, to statutory reserve fund until the fund reaches 50% of the respective companies' registered capital. The transfer to this reserve must be made before distributing dividends to the respective companies' shareholders.

The statutory reserve fund can be used to make up for previous years' losses, if any. It may be converted into share capital by issuing new shares to the respective companies' shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Discretionary common reserve fund

Each of the Company and its subsidiaries established in the PRC may, at its discretion and subject to approval of its respective shareholders, transfer its retained earnings balance to its discretionary common reserve fund. The usage of discretionary common reserve fund is similar to that of the statutory reserve fund.

NOTES TO FINANCIAL STATEMENTS

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27. RESERVES (CONTINUED)

b) Company

	Share premium account RMB'000 <i>note 27(a(i))</i>	Capital reserve RMB'000 <i>note 27(a(ii))</i>	Statutory reserve funds RMB'000 <i>note 27(a(iii))</i>	Discretionary common reserve fund RMB'000 <i>note 27(a(iv))</i>	Asset revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	10,910	25,134	5,036	1,500	11,299	(24,079)	29,800
Profit and total comprehensive income for the year	—	—	—	—	—	6,968	6,968
At 31 December 2013	<u>10,910</u>	<u>25,134</u>	<u>5,036</u>	<u>1,500</u>	<u>11,299</u>	<u>(17,111)</u>	<u>36,768</u>
At 1 January 2014	10,910	25,134	5,036	1,500	11,299	(17,111)	36,768
Profit and total comprehensive income for the year	—	—	—	—	—	8,237	8,237
At 31 December 2014	<u>10,910</u>	<u>25,134</u>	<u>5,036</u>	<u>1,500</u>	<u>11,299</u>	<u>(8,874)</u>	<u>45,005</u>

NOTES TO FINANCIAL STATEMENTS

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28. BUSINESS COMBINATION UNDER COMMON CONTROL

On 7 November 2012, the Company and its direct 90%-owned subsidiary, Shanghai Liming Fire Testing Co., Limited (“Liming”), entered into a sale and purchase agreement (the “S&P Agreement”) with Liancheng and Mr. Wang Sheng (an independent third party, and together with Liancheng, be collectively referred as the “Vendors”), pursuant to which, the Company and Liming collectively acquired (the “Acquisition”) from the Vendors the entire issued capital of Anchor, resulting in an effective 99% of the equity interests in Anchor. On the same date, an excluded interest agreement (the “Excluded Interest Agreement”) was entered into among the Company, Liming, the Vendors, Anchor and Shanghai Pressure Special Gas Cylinder Co., Limited (“Special Cylinder”, a subsidiary of Anchor) to exclude from the S&P Agreement the land and building situated at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai, the PRC (the “Excluded Interest”). The aggregate consideration (the “Consideration”) for the Acquisition under the S&P Agreement and the Excluded Interest Agreement amounted to RMB6 million has been satisfied by crediting against the current account with Liancheng by utilising the existing RMB50 million loan facility provided by Zhejiang Hengtai and Liancheng.

The Acquisition was approved by the Company’s independent shareholders at an extraordinary general meeting on 23 July 2013 and was completed on 29 July 2013, with the Qingpu Group holding an effective 99% of equity interests in Anchor.

As mentioned in note 2.1 to the financial statements, in the opinion of the directors, the Acquisition is a business combination under common control since the Qingpu Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition. Accordingly, the Qingpu Group has applied merger accounting to account for the business combination under common control and combined the consolidated financial statements of the Anchor Group since 11 April 2011, the earlier of the date the Anchor Group being controlled by Liancheng, as if the Acquisition had occurred at that date. No significant adjustments were considered necessary to be made to the net assets and net profit of the Anchor Group as a result of the common control combination in order to align its accounting policies with the Qingpu Group.

The Anchor Group was principally engaged in the manufacturing and sale of pressure vessels products and the trading of sanitary-ware and other products.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease its investment properties and sub-lease its leased properties to independent third parties under operating leases arrangements with the leases negotiated for terms ranging from 3 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions.

At 31 December 2014, the Group and the Company had total future minimum lease receivable under non-cancellable operating leases falling due as follows:

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,102	2,509	1,671	1,669
In the second to fifth years, inclusive	1,124	2,773	1,124	2,773
	3,226	5,282	2,795	4,442

(b) As lessee

The Group and the Company lease certain land and buildings from independent third parties under operating lease arrangements. Leases for land and properties are negotiated for terms ranging from 1 to 10 years.

At 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases with its tenant falling due as follows:

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	458	767	388	352
In the second to fifth years, inclusive	2,321	2,827	1,201	1,341
After five years	1,143	1,313	300	400
	3,922	4,907	1,889	2,093

NOTES TO FINANCIAL STATEMENTS

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30. CAPITAL COMMITMENTS

Except for the operating lease arrangements, the Group and the Company did not have any significant capital and other commitments at the end of the reporting period.

31. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties, which also constitute continuing connected transactions under the GEM Listing Rules, during the year:

	Group	
	2014	2013
	RMB'000	RMB'000
Commission expenses		
Shanghai J.S.X. International Trading Corporation*	—	298
	<u> </u>	<u> </u>
Sales of goods		
SPFE	1,380	1,145
SLFE	1,626	4,536
	<u> </u>	<u> </u>
	3,006	5,681
	<u> </u>	<u> </u>
Services income		
SPFE	213	284
Liancheng	30	101
	<u> </u>	<u> </u>
	243	385
	<u> </u>	<u> </u>

- * Amount represented commission expenses paid by the Group during the period from 1 January 2013 to 29 July 2013. Shanghai J.S.X. International Trading Corporation has become a subsidiary of the Company since 29 July 2013. These transactions have been fully eliminated for the year ended 31 December 2013 under the merger accounting treatment.

In the opinion of the board of directors, the above transactions were carried out in the normal course of business of the Group and at prices and terms comparable with those charged by and contracted with third parties.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

31. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (b) Compensation of key management personnel of the directors and supervisors of the Company. Details of their remuneration are included in note 7 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

31 December 2014

Financial assets

	Loans and receivables	
	Group	Company
	RMB'000	RMB'000
Trade and bills receivables	15,664	2,014
Financial assets included in prepayments, deposits and other receivables	13,139	7,975
Due from subsidiaries	–	5,350
Due from fellow subsidiaries	1,674	1,674
Cash and bank balances	36,211	22,382
	<u>66,688</u>	<u>39,395</u>

Financial liabilities

	Financial liabilities at amortised cost	
	Group	Company
	RMB'000	RMB'000
Trade payables	9,870	3,404
Other payables and accruals	10,422	7,152
Due to the immediate holding company	906	906
Due to non-controlling interest	1,451	–
Due to a related company	2,798	–
Loan from immediate holding company	7,800	7,800
	<u>33,247</u>	<u>19,262</u>

NOTES TO FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2013

Financial assets

	Loans and receivables	
	Group	Company
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	18,886	4,414
Financial assets included in prepayments, deposits and other receivables	14,344	10,360
Due from subsidiaries	–	3,342
Due from fellow subsidiaries	3,252	3,252
Cash and bank balances	25,267	14,418
	<u>61,749</u>	<u>35,786</u>

Financial liabilities

	Financial liabilities at amortised cost	
	Group	Company
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	12,402	4,860
Other payables and accruals	11,036	8,856
Due to/loan from immediate holding company	906	306
Due to non-controlling interest	1,496	–
Due to a related company	2,798	–
Loan from the immediate holding company	7,800	7,800
	<u>36,438</u>	<u>21,822</u>

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2013 and 2014.

NOTES TO FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and bank balances, trade and bills receivables, and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and amounts due from fellow subsidiaries, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality and state-owned banks with good reputation in the PRC.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

NOTES TO FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of other borrowings.

On 3 December 2010, the ultimate controlling shareholder, Zhejiang Hengtai, and the immediate holding company, Liancheng, have undertaken to collectively provide to the Company with an unsecured, interest-free shareholders' loan facility in the sum of not exceeding RMB50 million for a term of five years, extendable at the discretion of Liancheng for further two years. On 30 November 2014, Liancheng agreed to further extend the term of the Facility to 30 May 2016. As at 31 December 2014, RMB7,800,000 has been drawn down by the Company (note 25).

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, is as follows:

31 December 2014

	Group		
	On demand or no fixed repayment terms RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	9,870	–	9,870
Other payables and accruals	10,422	–	10,422
Due to the immediate holding company	906	–	906
Due to non-controlling interest	1,451	–	1,451
Due to a related company	2,798	–	2,798
Loan from the immediate holding company	–	7,800	7,800
	<u>25,447</u>	<u>7,800</u>	<u>33,247</u>

NOTES TO FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2013

	On demand or no fixed repayment terms <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade payables	12,402	–	12,402
Other payables and accruals	11,036	–	11,036
Due to the immediate holding company	906	–	906
Due to non-controlling interest	1,496	–	1,496
Due to a related company	2,798	–	2,798
Loan from the immediate holding company	–	7,800	7,800
	<u>28,638</u>	<u>7,800</u>	<u>36,438</u>

31 December 2014

	Company		
	On demand or no fixed repayment terms <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade payables	3,404	–	3,404
Other payables and accruals	7,152	–	7,152
Due to the immediate holding company	906	–	906
Loan from the immediate holding company	–	7,800	7,800
	<u>11,462</u>	<u>7,800</u>	<u>19,262</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2013

	On demand or no fixed repayment terms <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade payables	4,860	–	4,860
Other payables and accruals	8,856	–	8,856
Due to the immediate holding company	306	–	306
Loan from the immediate holding company	–	7,800	7,800
	<u>14,022</u>	<u>7,800</u>	<u>21,822</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other payable and accruals, amount due to/loan from the immediate holding company and amount due to non-controlling interest and a related company, less cash and cash equivalents. Capital includes equity attributable to owners of the Group. The gearing ratios as at the end of reporting periods were as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade payables	9,870	12,402
Other payables and accruals	10,422	11,036
Due to the immediate holding company	906	906
Due to non-controlling interest	1,451	1,496
Due to a related company	2,798	2,798
Loan from immediate holding company	7,800	7,800
Less: Cash and cash equivalents	<u>(36,211)</u>	<u>(25,267)</u>
Net (cash)/debt	<u>(2,964)</u>	<u>11,171</u>
Equity attributable to owners of the Company	<u>86,146</u>	<u>78,851</u>
Capital and net debt	<u><u>83,182</u></u>	<u><u>90,022</u></u>
Gearing ratio	<u><u>N/A</u></u>	<u><u>12%</u></u>

NOTES TO FINANCIAL STATEMENTS

31 December 2014

35. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2015.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	2014	2013	2012*	2011*	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RESULTS					
REVENUE	117,486	113,411	100,484	98,202	21,362
Cost of sales	(96,119)	(90,024)	(80,561)	(77,883)	(19,992)
Gross profit	21,367	23,387	19,923	20,319	1,370
Other income and gains	7,070	4,520	4,762	2,291	5,464
Selling and distribution expenses	(2,476)	(2,874)	(2,819)	(2,687)	(357)
Administrative expenses	(17,496)	(15,226)	(14,858)	(14,783)	(7,141)
Finance costs	-	-	-	-	(803)
Reversal of impairment losses of loans receivable from former controlling shareholder	-	-	-	11,065	-
Gain on bargain purchase recognised in other income and gains in the consolidated statement of comprehensive income	-	-	-	861	-
Provisions for loss on financial guarantees	-	-	-	-	(190)
Reimbursement receivable for loss on financial guarantees	-	-	-	-	190
Reversal of impairment loss on reimbursement receivables for loss on financial guarantees	-	-	-	-	23,940
PROFIT BEFORE TAX	8,465	9,807	7,008	17,066	22,473
Tax	(2,463)	(1,718)	(768)	(814)	-
PROFIT FOR THE YEAR	6,002	8,089	6,240	16,252	22,473
Attributable to:					
Owners of the Company	7,334	7,839	5,804	15,852	22,473
Non-controlling interests	(1,332)	250	436	400	-
	6,002	8,089	6,240	16,252	22,473
ASSETS AND LIABILITIES					
TOTAL ASSETS	123,217	119,650	113,239	103,618	36,500
TOTAL LIABILITIES	(38,716)	(41,132)	(42,536)	(39,911)	(19,161)
	84,501	78,518	70,703	63,707	17,339

FIVE YEAR FINANCIAL SUMMARY

- * Due to the application of merger accounting for business combination under common control, which involves incorporating the financial statement items of the Anchor Group in which the common control consolidation occurs as if they had been consolidated since 11 April 2011, the date when the combining entities or businesses first came under the control of the controlling party. Accordingly, the comparative consolidated financial statements for the years ended 31 December 2011 and 2012 have been restated.

This summary does not form part of the audited consolidated financial statements.