Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*
上海青浦消防器材股份有限公司

*(a joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 8115)**

# FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

**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 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.**



*This announcement 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 announcement 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 announcement misleading.*

* *For identification purposes only*

## RESULTS FOR THE YEAR

The Board of Directors (the "Board") of Shanghai Qingpu Fire-Fighting Co., Ltd. (the "Company") is pleased to announce the audited results of the Company for the year ended 31 December 2010, together with the comparative figures for year 2009 as follows:

## INCOME STATEMENT

*For the Year Ended 31 December 2010*

| | *Notes* | **2010** *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|
| Revenue | *5* | **21,362** | 20,365 |
| Cost of sales | | **(19,992)** | (19,323) |
| Gross profit | | **1,370** | 1,042 |
| Other income and gains | *5* | **5,464** | 12,519 |
| Write off of trade receivables | | **–** | (103) |
| Provisions for loss on financial guarantees | | **(190)** | (670) |
| Reimbursement receivable for loss on financial guarantees | | **190** | 670 |
| Reversal of/(provision for) impairment loss on reimbursement receivable for loss on financial guarantees | | **23,940** | (670) |
| Distribution costs | | **(357)** | (212) |
| Administrative expenses | | **(7,141)** | (5,872) |
| Finance costs | *7* | **(803)** | (509) |
| Profit before tax | *6* | **22,473** | 6,195 |
| Income tax expense | *8* | **–** | – |
| Profit for the year | | **22,473** | 6,195 |
| Attributable to: | | | |
| Owners of the Company | | **22,473** | 6,195 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS | | | |
| Basic (RMB cents) | *9* | **12.0** | 3.3 |
| Diluted (RMB cents) | *9* | **12.0** | 3.3 |

**STATEMENT OF COMPREHENSIVE INCOME**

*For the Year Ended 31 December 2010*

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| Profit for the year | | **22,473** | 6,195 |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | **–** | – |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | **22,473** | 6,195 |
| Attributable to: | | | |
| Owners of the Company | | **22,473** | 6,195 |

**STATEMENT OF FINANCIAL POSITION**
*At 31 December 2010*

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **12,371** | 14,505 |
| Prepaid land lease payments | | **710** | 726 |
| Total non-current assets | | **13,081** | 15,231 |
| **CURRENT ASSETS** | | | |
| Inventories | | **6,598** | 5,485 |
| Trade receivables | *10* | **3,069** | 2,889 |
| Prepaid land lease payments | | **18** | 18 |
| Prepayments, deposits and other receivables | | **1,799** | 520 |
| Due from related companies | | **165** | 1,296 |
| Loans receivable from former controlling shareholder | | **–** | 14,000 |
| Reimbursement receivables for loss on financial guarantees | | **–** | – |
| Cash and cash equivalents | | **11,770** | 471 |
| Total current assets | | **23,419** | 24,679 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *11* | **3,777** | 2,827 |
| Other payables and accruals | | **9,384** | 31,239 |
| Interest-bearing bank borrowing | | **–** | 24,650 |
| Total current liabilities | | **13,161** | 58,716 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **10,258** | (34,037) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **23,339** | (18,806) |
| **NON-CURRENT LIABILITIES** | | | |
| Due to immediate holding company | | **(6,000)** | (10,860) |
| **Net assets/(liabilities)** | | **17,339** | (29,666) |
| **EQUITY/(DEFICIENCY IN ASSETS)** | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | | **18,743** | 18,743 |
| Reserves | | **(1,404)** | (48,409) |
| **Total equity/(deficiency in assets)** | | **17,339** | (29,666) |

## STATEMENT OF CHANGES IN EQUITY

*For the Year Ended 31 December 2010*

| | Issued capital *RMB'000* | Share premium account *RMB'000* | Capital reserve *RMB'000* | Statutory reserve fund *RMB'000* | Discretionary common reserve fund *RMB'000* | Accumulated lossess *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| As at 1 January 2009 | 18,743 | 10,910 | (1,733) | 3,734 | 1,500 | (69,015) | (35,861) |
| Total comprehensive income for the year | – | – | – | – | – | 6,195 | 6,195 |
| As at 31 December 2009 and 1 January 2010 | 18,743 | 10,910 | (1,733) | 3,734 | 1,500 | (62,820) | (29,666) |
| Total comprehensive income for the year | – | – | – | – | – | 22,473 | 22,473 |
| Write back of payable waived by immediate holding company | – | – | 24,532 | – | – | – | 24,532 |
| As at 31 December 2010 | 18,743 | 10,910 | 22,799 | 3,734 | 1,500 | (40,347) | 17,339 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was established in The People's Republic of China (the "PRC") as a collective enterprise under the 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 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.

In the opinion of the directors, the 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.

The principal activities of the Company are the manufacture and sale of fire-fighting equipment products.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except for per share data. Renminbi is the Company's functional and presentation currency.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

## 3. CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

| | |
|---|---|
| IFRS 2 | Share-based Payment – Group Cash-settled Share-based Payment Transactions |
| IFRS 3 (Revised) | Business Combinations |
| IAS 27 Amendment | Amendments to IAS 27 Consolidated and Separate Financial Statements |
| IAS 39 | Financial Instruments: Recognition and Measurement – Eligible Hedged Items |
| IFRIC 17 | Distributions of Non-cash Assets to Owners |
| IFRS 5 Amendments included in Improvements to IFRSs issued in May 2008 | Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations |
| Improvements to IFRSs 2009 | Amendments to a number of IFRSs issued in April 2009 |

Other than as further explained below regarding the impact of amendments to IAS 7 and IAS 36 included in Improvements to IFRSs 2009, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effect of adopting these new and revised IFRSs is as follows:

Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Company. Details of the key amendments most applicable to the Company are as follows:

IAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognized asset in the statement of financial position can be classified as a cash flow from investing activities.

IAS 36 Impairment of Assets: Clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

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

| | |
|---|---|
| IFRS 9 | Financial Instruments: Classification and Measurement [4] |
| IAS 24 Amendment | Amendment to IAS 24 Related Party Disclosures [3] |
| IAS 32 Amendment | Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues [1] |
| IFRIC 14 Amendments | Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement [3] |
| IFRIC – Int 19 | Extinguishing Financial Liabilities with Equity Instruments [2] |

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The Company expects no impact from the adoption of the amendments on its financial position or performance.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 January 2013

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Company considers that the adoption of these new and revised IFRSs is unlikely to have a significant impact on the Company's results of operations and financial position.

## 4. OPERATING SEGMENT INFORMATION

For management purpose, the Company is organised into business units based on their services. However, the Company operates only in one business, being the manufacture and sale of fire-fighting equipment products in the PRC during the year. Accordingly, no further disclosures by the reportable segments based on business were made.

The Company operates principally in the PRC. Over 90% of the Company's revenue is derived from the manufacturing and sales of fire-fighting equipment products in the PRC and over 90% of the Company's assets are located in the PRC. Accordingly, no further disclosures by the reportable segments based on geographical were made.

### Information about a major customers

Revenue of approximately RMB10,205,000 (2009: RMB11,393,000) was derived from sales of fire-fighting equipment to a single customer, which is an independent third party, during the year ended 31 December 2010.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Company's turnover, represents income arising from the Company's principal activities, being manufacturing and sale of fire fighting equipment products, net of value added tax, trade discounts and return during the year.

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

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue | | |
| Sales of goods | **21,362** | 20,365 |
| Total revenue | **21,362** | 20,365 |
| Other income and gains | | |
| Bank interest income | **31** | 1 |
| Gains on disposal of property, plant and equipment | **49** | – |
| Others | **12** | 894 |
| Gross rental income | **185** | – |
| Revenue from sales of scrap | **455** | 399 |
| Write back of payables waived by suppliers | **10** | 3,848 |
| Write back of payable waived by former controlling shareholder | **4,722** | 7,377 |
| Total other income and gains | **5,464** | 12,519 |
| Total revenue, other income and gains | **26,826** | 32,884 |

## 6. PROFIT BEFORE TAX

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

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amortisation of prepaid land lease payments | **16** | 18 |
| Depreciation for property, plant and equipment | **2,067** | 2,151 |
| Cost of sales * | **19,992** | 19,323 |
| Minimum lease payments under operating leases: | | |
| Land and buildings | **346** | 346 |
| Auditors' remuneration | **423** | 475 |
| (Reversal of)/provision for impairment loss on reimbursement receivables for loss on financial guarantee | **(23,940)** | 670 |
| Write off of trade receivables | **–** | 103 |
| Provision for loss on financial guarantee | **190** | 670 |
| Staff costs (including directors' and supervisors' emoluments) | | |
| Wages and salaries | **3,736** | 2,953 |
| Pension scheme contributions | **619** | 1,042 |
| Social security costs | **312** | 218 |
| | **4,667** | 4,213 |
| Write back of payables waived by suppliers | **(10)** | (3,848) |
| Write back of payable waived by former controlling shareholder | **(4,722)** | (7,377) |
| Gain on disposal of property, plant and equipment | **(49)** | – |
| Bank interest income | **(31)** | (1) |

* Cost of sales includes approximately RMB1,900,000 (2009: RMB1,822,000) and RMB1,995,000 (2009: RMB2,019,000) relating to staff costs and depreciation, respectively, which amounts are also included in the respective total amounts disclosed separately above.

## 7. FINANCE COSTS

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans wholly repayable within 5 years | **803** | 509 |

## 8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and PRC Enterprise Income Tax have been made as the Company had no assessable profits arising in Hong Kong and there are available tax losses brought forward from previous years to offset the current year's assessable profits in the PRC (2009: Nil).

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 (2009: Nil). The tax losses of RMB10,186,000 (2009: RMB22,590,000) will expire in the next five years.

## 9. 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 RMB22,473,000 (2009: RMB6,195,000) and on the weighted average number of ordinary shares of 187,430,000 (2009: 187,430,000) in issue during the year.

Diluted earnings per share is not presented for the years ended 31 December 2010 and 2009 as the Company had no potentially dilutive ordinary shares in issued during these years.

## 10. TRADE RECEIVABLES

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **3,069** | 2,889 |
| Impairments | **–** | – |
| | **3,069** | 2,889 |

The Company'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 three months for major customers. Each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Company'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.

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

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **1,613** | 1,982 |
| 1 to 2 months | **386** | 286 |
| 2 to 3 months | **241** | 180 |
| Over 3 months | **829** | 441 |
| | **3,069** | 2,889 |

## 11. TRADE PAYABLES

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

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **1,362** | 999 |
| 1 to 2 months | **519** | 403 |
| 2 to 3 months | **207** | 48 |
| Over 3 months | **1,689** | 1,377 |
| | **3,777** | 2,827 |

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

## DIVIDEND

The Board does not recommend the payment of any dividends for the year ended 31 December 2010 (2009: Nil).

## COMMITMENTS

### (1) Operating lease commitments

#### *(a) As lessor*

The Company leases its land and buildings under operating leases arrangements with the leases negotiated for terms ranging from 3 to 5 years. The terms of the lease 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 2010, the Company had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **500** | – |
| In the second to fifth years, inclusive | **1,573** | – |
| | **2,073** | – |

*(b) As lessee*

The Company leases certain land and buildings from independent third parties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to ten years.

At 31 December 2010, the Company had total future minimum lease payments under non-cancellable operating leases with its tenant falling due as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **346** | 246 |
| In the second to fifth years, inclusive | **837** | 982 |
| After 5 years | **737** | 941 |
| | **1,920** | 2,169 |

**(2) Capital and other commitments**

At the end of the reporting period, the Company had no significant capital and other commitments.

## FINANCIAL GUARANTEES

The following are details of the loans which are secured by the financial guarantees:

| **Borrower** | **Co-guarantor (joint and several)** | **Term of bank loan** | **Original loan amount** | **Amount Attributable to the Company At 31/12/2010** | **Amount Attributable to the Company At 31/12/2009** |
|---|---|---|---|---|---|
| | | | *RMB'000* | *RMB'000* | *RMB'000* |
| 上海高壓容器有限公司 | Mr. Jiang Zi Qiang and his wife | 21/9/2005 – 30/8/2006 | 2,780 | – | 2,780 |
| 上海高壓容器有限公司 | Mr. Jiang Zi Qiang and his wife | 21/9/2005 – 30/8/2006 | 2,300 | – | 2,300 |
| 上海高壓容器有限公司 | 上海華盛企業(集團)有限公司 *(note 2)* | 29/12/2004 – 1/12/2005 | 20,000 | – | 9,500 |
| 上海高壓容器有限公司 | 上海華盛企業(集團)有限公司 and 上海銘源實業集團有限公司 *(note 3)* | 1 year *(note 1)* | 105,900 | – | 7,000 |
| | | | 130,980 | – | 21,580 |

*Notes:* (1) 上海高壓容器有限公司 (literally translated as "Shanghai High Pressure Container Co., Ltd.", "Shanghai High Pressure"), a subsidiary of Shanghai Huasheng, and the bank entered into a loan extension agreement on 31 May 2007. Pursuant to the agreement, the loan has been extended to 30 April 2008.

(2) 上海華盛企業(集團)有限公司(literally translated as "Shanghai Huasheng Enterprises (Group) Company Limited", "Shanghai Huasheng") was the Company's former controlling shareholder.

(3) Shanghai Huasheng considered 上海銘源實業集團有限公司("銘源實業") as its parent company.

In view of the court order and the legal opinion, the current Board of directors concluded to make provision for loss arising from the underlying loans of the financial guarantees provided which was defaulted of approximately RMB Nil (2009: RMB21,580,000) together with the interests accrued, penalty interests and legal costs of approximately RMB191,000 (2009: RMB2,360,000). The corresponding amount was taken up as reimbursement receivables from a former related company. In 2010, the principal sum of loans had been all repaid. Except for the pledge of assets as mentioned in the paragraph (c) of the "Litigations" Section, which had been released subsequent to the end of the reporting period in January 2011, all the financial guarantees and the pledges of assets have been released as at 31 December 2010.

## LITIGATIONS

The Company had the following litigations during the year or outstanding at the end of reporting period.

(a) On 19 August 2005, the Company and Shanghai Rural Commercial Bank, Chonggu Branch (上海農村商業銀行重固支行, "SRCB Chonggu Branch") entered into a loan agreement amounting to RMB5,550,000 ("the "SRCB Loan"). On 8 February 2007, the Company repaid RMB820,000. The SRCB Loan (to the extent of approximately RMB5,550,000) was secured by a building and the related land lease premium of the Company pledged under the highest limit property pledge agreement executed in favour of SRCB Chonggu Branch on 19 August 2005.

On 26 June 2007, SRCB Chonggu Branch, as the plaintiff, commenced an action against the Company, as the defendant, in the People's Court of Qingpu, Shanghai, to demand the repayment for the SRCB Loan. On 24 July 2007, judgment was issued under which (i) the Company was ordered to repay the principal of RMB4,730,000, together with default interest and litigation costs; and (ii) if the Company was in default in making the aforesaid payments, SRCB Chonggu Branch was entitled to take priority in settling the outstanding balance owed by the Company from the proceeds from the sale of the Company's building and the related land lease premium pledged to the bank. On 7 April 2010, the Company had fully settled the outstanding SRCB Loan and therefore, the litigation was settled. Accordingly, the pledges of buildings and the related land lease premiums were released during the year.

(b) On 11 March 2005, Mr. Jiang Zi Qiang (the then chairman of the board who resigned as director of the Company on 30 July 2009 ("Mr. Jiang")), alleged in the name of the Company, entered into a loan agreement amounting to RMB20,000,000 (the "ABC Jingan Loan") with Agricultural Bank of China, Shanghai Jingan Branch (中國農業銀行上海靜安支行, "ABC Jingan").

During the year 2006, the Company received an order from Shanghai No. 2 Intermediate People's Court ordering the Company to pay a sum of RMB20,000,000 to ABC Jingan for the Loan alleged to have been borrowed by the Company. The then board of directors (not including Mr. Jiang, the "Board") discovered that the Loan was borrowed by the Company, which was arranged by Mr. Jiang in 2005. The ABC Jingan Loan was firstly deposited in the Company's bank account and then either transferred to Shanghai Huasheng or to Shanghai Huasheng's related company or subsidiaries by the order of Mr. Jiang. The Company's books have no record of these bank accounts. The ABC Jingan Loan had never been considered, authorised or approved by the Board at the time when such transactions respectively made. All those transactions as contemplated under the underlying loan agreement and the transfers or usage of the ABC Jingan Loan had never been considered, authorised or approved by the Board at the time when such transactions were respectively taken place and were not recorded in the accounting books and records or the published financial statements of the Company. Shanghai Huasheng issued a certificate dated 27 May 2009 stating that the ABC Jingan Loan had ultimately been used for the benefit of Shanghai Huasheng and its subsidiary and Shanghai Huasheng has undertaken to repay the ABC Jingan Loan and related interests.

On 19 December 2006, ABC Jingan, as plaintiff, commenced an action against, among others, the Company, as the first defendant, in the Shanghai No. 2 Intermediate People's Court, to demand repayment for such sum owed by the Company under the loan agreement dated 11 March 2005. On 14 June 2007, a judgment was issued by the Shanghai No. 2 Intermediate People's Court. Subsequently, ABC Jingan appealed to the 上海市高級人民法院. On 18 September 2007, same judgment as Shanghai No. 2 Intermediate People's Court was issued by 上海市高級人民法院 under which the Company was ordered to repay the principal sum of RMB20,000,000, together with interest accrued, default interest and litigation costs. In addition, Shanghai No. 2 Intermediate People's Court has granted asset preservation orders to freeze all the buildings and the related land lease premium of the Company.

In view of the court orders and the legal opinion, the current Board concluded to recognise the ABC Jingan Loan payable of RMB20,000,000 as at 31 December 2006 together with the related interests, penalty interests and legal costs. In addition, the corresponding amounts were recognised as loan receivables from the former controlling shareholder.

In July 2010, ABC Jingan, Shanghai Huasheng and the Company entered into an interest reduction agreement (減免利息協議), pursuant to which ABC Jingan agreed to reduce the interest accrued to RMB4,750,000 and the Company agreed to pay the reduced interest together with the principal sum of RMB20,000,000 by installments. The principal sum has been fully settled in September 2010 and the interest of RMB4,750,000 is due in September 2011. Accordingly, the pledges of buildings and the related land lease premiums were released as at the year end.

(c) On 21 September 2005, Shanghai High Pressure and Shanghai Rural Commercial Bank, Xinhua Branch (上海農村商業銀行華新支行, "SRCB Xinhua Branch") entered into two loan agreements amounting to RMB2,780,000 and RMB2,300,000 (collectively, the "SRCB Xinhua Loans"), respectively, pursuant to which the loans were repayable on 30 August 2006. The SRCB Xinhua Loans were secured by two highest limit property pledge agreements to the extent of RMB2,780,000 and RMB2,300,000, respectively, on two buildings and the related land lease premium of the Company and personal guarantees from Mr. Jiang and his wife.

On 23 August 2007, SRCB Xinhua Branch, as the plaintiff, commenced an action against, among others, the Company, as the second defendant, in the People's Court of Qingpu, Shanghai, to demand repayment for the SRCB Xinhua Loans owed by Shanghai High Pressure under two loan agreements, both dated 21 September 2005, which sum was secured by two buildings and the related land lease premium of the Company under two financial guarantees executed in favour of SRCB Xinhua Branch on 16 September 2005. On 11 December 2007, judgment was issued whereby (i) Shanghai High Pressure was ordered to repay the principal sum of RMB5,080,000, together with interest accrued, default interest and litigation costs, and (ii) if Shanghai High Pressure is in default in making the aforesaid payments, SRCB Xinhua Branchhas priority in getting the outstanding balances from the proceeds from the sale of the pledged buildings and the related land lease premium.

In April 2010, the principal sum of the SRCB Xinhua Loans of RMB5,080,000 together with interest of approximately RMB2,132,000 were repaid and therefore the Company issued a letter to SRCB Xinhua Branch to request for the release of the pledged buildings and the related land lease premium. As at the end of the reporting period, the pledge of buildings and the related land lease premium has not yet been released. Subsequent to the end of the reporting period, in January 2011, the pledges of buildings and the related land lease premium were released.

(d) On 29 December 2004, Shanghai High Pressure and Bank of Shanghai, Putuo Branch (上海銀行普陀支行, "Shanghai Bank Putuo") entered into a loan agreement amounting to RMB20,000,000 (the "Shanghai Bank Putuo Loan"), pursuant to which the Shanghai Bank Putuo Loan was repayable on 1 December 2005. The Company, Shanghai Huasheng and Mr. Jiang acted as guarantors in favour of Shanghai Bank Putuo.

On 5 December 2006, Shanghai Bank Putuo, as the plaintiff, commenced an action against, among others, the Company, as the third defendant, in the Shanghai No. 2 Intermediate People's Court, to demand repayment for an amount of approximately RMB17,366,000 owed by Shanghai High Pressure under the loan agreement dated 29 December 2004, which sum is secured by the guarantee dated 29 December 2004 given by the Company in favour of Shanghai Bank Putuo. On 26 December 2006, a judgment was issued but Shanghai Bank Putuo did not agree and appealed to the Shanghai No. 2 Intermediate People's Court.

On 8 February 2007, judgment was issued under which (i) Shanghai High Pressure was ordered to repay the principal sum of approximately RMB17,366,000, together with interest accrued, default interest and litigation costs; and (ii) the Company, as one of the guarantors, was ordered to fulfil its obligation to repay for Shanghai High Pressure if it failed to do so. On 25 December 2009, an agreement was entered into among Shanghai Bank Putuo, Shanghai High Pressure and the guarantors. Pursuant to the agreement, Shanghai Bank Putuo agreed to waive the bank loan of RMB7,866,000 subject to Shanghai High Pressure repaying an amount of RMB9,500,000 on or before 1 January 2010. In January 2010, RMB9,500,000 was repaid to Shanghai Bank Putuo, the financial guarantee was released and the litigation was then settled.

(e) On 26 May 2006, Shanghai High Pressure and Huaxia Bank, Shanghai (華夏銀行上海分公司, "Huaxia Bank") entered into a loan agreement amounting to RMB105,900,000 (the "Huaxia Bank Loan"), pursuant to which Huaxia Bank Loan was drawn down by seven instalments from 30 May 2006 to 22 June 2006. The due date of each instalment was one year from date of draw-down. Mr. Jiang in name of the Company, in May and June 2006 entered into two highest limit property pledge agreements on buildings and the related land use premiums of the Company for a total extent of RMB7,000,000 in May and June 2006. The Huaxia Bank Loan was also secured by guarantees from 上海銘源 and Shanghai Huasheng. On 29 April 2008, Huaxia Bank assigned the Huaxia Bank Loan to China Great Wall Asset Management Corporation, shanghai Office (中國長城資產管理公司上海辦事處, "CGWAM Shanghai").

In August 2008, CGWAM Shanghai took legal action against the Company for recovery of the loan. On 8 April 2009, a judgment was issued by Shanghai No. 1 Intermediate People's Court ordering the guarantors and the Company to fulfil their obligation. On 13 January 2010, CGWAM Shanghai, Shanghai High Pressure, 銘源實業, Shanghai Huasheng and the Company entered into a debt reduction agreement (債務減讓協議) whereby CGWAM Shanghai agreed to release all the parties to the agreement from their liabilities upon receiving RMB70,000,000. With reference to a civil mediation (民事調解書) dated 28 January 2010, CGWAM Shanghai agreed to release the pledged buildings and the related land use premiums of the Company upon receiving the first RMB35,000,000. In May 2010, RMB20,000,000 was paid to CGWAM Shanghai. Further amounts of RMB15,000,000 were paid in September and December 2010, the pledges of buildings and the related land use premiums of the Company had been released as at the date of these financial statements.

## EVENT AFTER THE REPORTING PERIOD

Pursuant to the sale and purchase agreement (the "Sale and Purchase Agreement") entered between the Company and an independent third party (the "Vendor") dated 20 January 2011, the Company agreed to purchase and the Vendor agreed to sell a land and building at a cash consideration of RMB5,000,000. The Acquisition had been completed on 16 February 2011.

## AN EXTRACT OF AUDITORS' REPORT

## BASIS FOR QUALIFIED OPINION

### Scope limitation – prior year's audit scope limitation affecting opening balances and comparative figures

As detailed in the auditors' report for the year ended 31 December 2009 dated 3 December 2010, the auditors issued qualified opinion arising from limitation of scope on the Company's financial statements for the year ended 31 December 2009 because of the significance of the possible effects of the limitations in evidence made available to the auditors that, in particular, the auditors were unable to obtain direct confirmations and other sufficient evidence in respect of the trade payables of approximately RMB2,827,000 as stated in the statement of financial position as at 31 December 2009. Any adjustments that might have found to be necessary in respect thereof had the auditors obtained sufficient and appropriate evidence would have had a consequential effect on (i) the net liabilities of the Company as at 31 December 2009, (ii) the Company's profit and cash flows for the year ended 31 December 2009 and the related disclosures in the financial statements, (iii) the Company's profit and cash flows for the year ended 31 December 2010 and the related disclosures in the financial statements. In respect of the limitation of scope in the prior year in the areas as described above, the auditors were unable to express their opinion as to whether the balances brought forward as at 1 January 2010 and the comparative figures were fairly stated in the financial statements.

## QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In their opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had they been able to satisfy themselves as to the opening balances of the trade payables as mentioned above, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the Company'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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The year 2010 continued to be a very difficult year for the Company. Total revenue of the Company increased slightly from RMB20,365,000 in the year 2009 to RMB21,362,000 in the year 2010 (representing an increase of 5%). The increase was mainly attributable to the effective strategy adopted by the management to cope with changes in the market.

## COST OF SALES

For the year ended 31 December 2010, the cost of sales of the Company amounted to approximately RMB19,992,000 (2009: RMB19,323,000), representing a year-on-year increase of 3%. The main components of cost of sales for the Company include raw materials, especially steel pipes, and labour cost.

## GROSS PROFIT

For the year ended 31 December 2010, the gross profit of the Company amounted to approximately RMB1,370,000. Marginal profit for the year ended 31 December 2010 increased to approximately 6.4% when compared with approximately 5.1% for the year ended 31 December 2009. The increase is mainly attributable to the management's exercise of cost control.

## OTHER INCOME

For the year ended 31 December 2010, the other income of the Company decreased to approximately 5,464,000 when compared with approximately 12,519,000 for the year ended 31 December 2009. The decrease in other income is mainly attributable to a decrease in non-recurring reversal of payables from RMB3,848,000 for the year 2009 to RMB10,000 for the year 2010, and a decrease in non-recurring reversals of receivables payable to former controlling shareholders from RMB7,377,000 for the year to RMB4,722,000 for the year 2010.

## ADMINISTRATIVE EXPENSES

For the year ended 31 December 2010, administrative expenses for the Company amounted to approximately RMB7,141,000, representing a year-on-year increase of 21.6%. The Directors believe the increase was mainly attributable to legal and professional expenses in relation to listing in Hong Kong and expenses for resumption of trading.

## FINANCE COSTS

For the year ended 31 December 2010, finance costs amounted to approximately RMB803,000, derived mainly from interest expenses of bank loans.

## PROFIT FOR THE YEAR

For the year ended 31 December 2010, the profit for the year of the Company amounted to approximately RMB22,473,000 (2009: RMB6,195,000), representing a year-on-year increase of 262.8%. The surge in profit was mainly attributable to a reversal in the impairment loss on reimbursement receivables for loss on financial guarantees of approximately RMB23,940,000.

## TAXATION

Pursuant to the income tax rules and regulations of PRC, The Company is liable to PRC corporate income tax at a rate of 25% on its assessable profits.

No provision has been made for PRC corporate income tax for the year as there are available tax losses brought forward from previous years to offset the current year's assessable profits in the PRC.

The Company did not provide for deferred tax on loss on taxation as the uncertainty in future profitability of the Company.

## The International Market of High Pressure Cylinders

The gas application technology has reached rather high standard in developed countries, yet it is still hovering at an initial stage in the PRC. So far, there are more than 130 varieties of gases for cylinder inflation worldwide, and approximately 80 varieties of gases are used for cylinder inflation in the PRC. The production capacity of relatively large-scale cylinder manufacturers in the world has reached 2 to 3 million cylinders per year, while the largest cylinder manufacturer in the PRC is merely able to produce 500,000 to 600,000 cylinders per year. In terms of total industrial output, the output of gas industry in the PRC was RMB13 billion in the year 2000, which is expected to amount to RMB30 billion in the year 2010. The PRC recorded a sales volume of 840,000 in high pressure seamless cylinders in the year 2000, with sales amount reaching RMB350 million, and the sales volume of high pressure seamless cylinders in the PRC surged to 1.9 million in the year 2009. The ownership of seamless cylinders in the world has reached approximately 200 million at present, of which the US ranked the top with 75 million, followed by the European Union with 50 million, Japan with 30 million, the PRC with 8 million and other countries with 47 million. Given the relatively low price of seamless cylinders in the PRC, the demand of the PRC's seamless cylinders from the international market is expected to increase, with the volume escalating at a rate of 50,000 to 100,000 cylinders per year.

## The Domestic Fire Extinguisher Market

The fire extinguisher industry in the PRC pocketed a sales revenue of RMB3.91 billion in the year 2005, and that in the year 2006 amounted to RMB4.21 billion, representing a year-on-year increase of 7.67%. In the year 2007, the sales revenue of the fire extinguisher in the PRC exceeded RMB4.5 billion, representing an increase of 7.60% with that of 2006. With the increasing attention attached from the PRC government on the fire-fighting industry, the fire extinguisher industry will experience new opportunities and considerable development prospects.

## Outlook

The demand for fire-safety and fire-fighting systems will keep lifting in the PRC against the backdrop of the rapid development of the PRC's real estate industry and the enhanced laws on fire-fighting. The volume of fire-fighting equipment procurement in the PRC from other countries in the world has been soaring as well. In addition to fire-fighting equipment, the gas cylinder products of the Company can also be applied to many other industries such as medical treatment, automobile and environmental protection, indicating a prosperous prospect. The Company is also endeavouring to develop new products and expand customer resources.

## Future Plan

The Company intends to cement internal management, strengthen operating efficiency, develop new products and control production costs. Efforts will be made to develop domestic operating networks and export agents, with an aim to expand sales. Upon sharpening the competitive edge and expanding customer resources, the Company will also increase equipment utilisation and expand production. The Company will conduct its businesses in multiple channels in a move to improve its performance.

## LIQUIDITY AND FINANCING

The cash and cash equivalents of the Company increased from approximately RMB471,000 in 2009 to RMB11,770,000 in 2010. The Company maintained all of its cash and cash equivalent balances in Renminbi.

### Borrowings and banking facilities

As at 31 December 2010, the Company had repaid all the bank loans (2009: RMB24,650,000 bank loans outstanding).

### Gearing ratio

The Company's gearing ratio, which was expressed as a percentage of the total bank borrowings over total assets, as at 31 December 2010 was 0% (2009: 61.76%).

### Capital structure and financial resources

As at 31 December 2010, the Company had net assets of approximately RMB17,339,000 (2009: net liabilities of RMB29,666,000). The Company's operations and investments are financed principally by internal resources, and shareholders' equity.

## SIGNIFICANT INVESTMENT HELD

As at 31 December 2010, the Company did not have any significant investment (2009: Nil).

## EMPLOYEES

As at 31 December 2010, the Company had 139 employees (2009: 133 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 Company is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Company has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Company has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Company 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 Company's relationship with its employees to be good.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company did not purchase, sell or redeem any of the Company's listed securities.

## CORPORATE GOVERNANCE

Pursuant to rule 18.44 (2) and Appendix 16 of the GEM Listing Rules, the Company wish to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 15 of the GEM Listing Rules (the "Code") during the year.

### (1) Corporate Governance Practices

The Company is committed to promoting 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 of respect for 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.

## AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") established with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Company and to provide advice to the directors of the Company.

The Audit Committee comprises a non-executive director of the Company, Ms. Chai Xiao Fang and two independent non-executive directors, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying.

The Audit Committee has reviewed the Company's audited final results for the year ended 31 December 2010.

**REMUNERATION COMMITTEE**

The Company has established the Remuneration Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. 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 procedure for formulating the remuneration policy.

The Remuneration Committee comprises of one executive Director, Zhou Jin Hui and two independent non-executive Directors, Yang Chun Bao and Zhang Cheng Ying, 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.

*As at the date of this announcement, the executive Directors are Mr. Chen Shi Da, Mr. Hu Jing Hai, Mr. Zheng Yi Song, Mr. Zhou Jin Hui and Mr. Rao Jun Xi; the non-executive Directors are Ms. Chai Xiao Fang, Mr. Gong Xu Lin and Ms. Wang Xiang; and the independent non-executive Directors are Mr. Chen Wen Gui, Mr. Wang Guo Zhong, Mr.Yang Chun Bao and Mr. Zhang Cheng Ying.*

By order of the Board
**Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.**
**Zhou Jin Hui**
*Director*

Hong Kong, 28 March 2011