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 2012

**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.**



*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 purpose only*

## RESULTS FOR THE YEAR

The Board of Directors (the "Board") of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company" and its subsidiaries, collectively the "Group") is pleased to announce the audited results of the Group for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 as follows:

## CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2012*

| | *Notes* | **2012**<br>***RMB'000*** | 2011<br>*RMB'000*<br>(Restated) |
|---|---|---|---|
| Revenue | *5* | **35,735** | 38,506 |
| Cost of sales | | **(26,708)** | (28,728) |
| Gross profit | | **9,027** | 9,778 |
| Other income and gains | *5* | **4,337** | 1,974 |
| Reversal of impairment loss on loans receivable from former controlling shareholder | | **–** | 11,065 |
| Gain on bargain purchase | | **–** | 861 |
| Selling and distribution expenses | | **(842)** | (843) |
| Administrative expenses | | **(6,222)** | (7,753) |
| Finance costs | | **–** | – |
| Profit before tax | *6* | **6,300** | 15,082 |
| Income tax expense | *7* | **(514)** | (182) |
| Profit for the year | | **5,786** | 14,900 |
| Attributable to: | | | |
| Owners of the Company | | **5,502** | 14,799 |
| Non-controlling interests | | **284** | 101 |
| | | **5,786** | 14,900 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | *8* | | |
| Basic (RMB cents) | | **3** | 8 |
| Diluted (RMB cents) | | **3** | 8 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*Year ended 31 December 2012*

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| PROFIT FOR THE YEAR | **5,786** | 14,900 |
| OTHER COMPREHENSIVE INCOME | | |
| Gain on property revaluation on transfer from owner-occupied properties to investment properties | **–** | 15,065 |
| Income tax effect | **–** | (3,766) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | **–** | 11,299 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **5,786** | 26,199 |
| Attributable to: | | |
| Owners of the Company | **5,502** | 26,098 |
| Non-controlling interests | **284** | 101 |
| | **5,786** | 26,199 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2012*

| | Notes | 2012 RMB'000 | 2011 RMB'000 (Restated) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **9,547** | 11,210 |
| Investment properties | | **23,370** | 22,150 |
| Prepaid land lease payments | | **125** | 128 |
| Total non-current assets | | **33,042** | 33,488 |
| CURRENT ASSETS | | | |
| Inventories | | **7,024** | 6,065 |
| Trade and bills receivables | 9 | **8,771** | 8,879 |
| Prepayments, deposits and other receivables | | **2,430** | 2,833 |
| Due from fellow subsidiaries | | **1,915** | 1,453 |
| Loans receivable from former controlling shareholder | | **–** | – |
| Cash and cash equivalents | | **12,726** | 6,756 |
| Total current assets | | **32,866** | 25,986 |
| CURRENT LIABILITIES | | | |
| Trade payables | 10 | **3,615** | 4,517 |
| Other payables and accruals | | **4,526** | 4,179 |
| Tax payables | | **69** | 49 |
| Total current liabilities | | **8,210** | 8,745 |
| NET CURRENT ASSETS | | **24,656** | 17,241 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **57,698** | 50,729 |
| NON-CURRENT LIABILITIES | | | |
| Due to immediate holding company | | **(1,800)** | (1,800) |
| Deferred tax liabilities | | **(4,120)** | (3,815) |
| Total non-current liabilities | | **(5,920)** | (5,615) |
| Net assets | | **51,778** | 45,114 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | | **18,743** | 18,743 |
| Reserves | | **32,483** | 25,974 |
| | | **51,226** | 44,717 |
| **Non-controlling interests** | | **552** | 397 |
| Total equity | | **51,778** | 45,114 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 31 December 2012*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium account* | Capital reserve* | Statutory reserve funds* | Discretionary common reserve fund* | Asset revaluation reserve* | Accumulated losses* | Total | Non-controlling interests | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2011 | 18,743 | 10,910 | 22,799 | 3,734 | 1,500 | – | (40,347) | 17,339 | – | 17,339 |
| Total comprehensive income for the year (as restated) | – | – | – | – | – | 11,299 | 14,799 | 26,098 | 101 | 26,199 |
| Acquisition of a subsidiary | – | – | – | – | – | – | – | – | 296 | 296 |
| Transfer to statuary reserve funds | – | – | – | 1,302 | – | – | (1,302) | – | – | – |
| Waiver of amount due to immediate holding company | – | – | 1,280 | – | – | – | – | 1,280 | – | 1,280 |
| At 31 December 2011 and 1 January 2012 | 18,743 | 10,910 | 24,079 | 5,036 | 1,500 | 11,299 | (26,850) | 44,717 | 397 | 45,114 |
| At 1 January 2012: | | | | | | | | | | |
| As previously reported | **18,743** | **10,910** | **24,079** | **5,036** | **1,500** | **15,065** | **(26,801)** | **48,532** | **397** | **48,929** |
| Prior year adjustments | **–** | **–** | **–** | **–** | **–** | **(3,766)** | **(49)** | **(3,815)** | **–** | **(3,815)** |
| As restated | **18,743** | **10,910** | **24,079** | **5,036** | **1,500** | **11,299** | **(26,850)** | **44,717** | **397** | **45,114** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **–** | **–** | **5,502** | **5,502** | **284** | **5,786** |
| Transfer to statuary reserve funds | **–** | **–** | **–** | **432** | **–** | **–** | **(480)** | **(48)** | **48** | **–** |
| Waiver of amount due to immediate holding company | **–** | **–** | **1,055** | **–** | **–** | **–** | **–** | **1,055** | **–** | **1,055** |
| Dividend paid to non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(177)** | **(177)** |
| At 31 December 2012 | **18,743** | **10,910** | **25,134** | **5,468** | **1,500** | **11,299** | **(21,828)** | **51,226** | **552** | **51,778** |

* These reserve accounts comprise the consolidated reserves of approximately RMB32,483,000 (2011: approximately RMB25,974,000) in the consolidated statement of financial position.

## 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 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 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.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of fire fighting equipment products;
- provision of fire technology consulting, testing and inspection services; and
- manufacture and trading of iron casted grooved couplings.

The trading of grooved couplings was a new activity commenced during the year.

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.

## 2. 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) issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements 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 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, except for investment properties, which have been measured at fair value.

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

**Basis of consolidation**

The 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 2012. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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.

## 3. CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRS for the first time for the current year's consolidated financial statements.

| | |
|---|---|
| IAS 12 Amendments | Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets |
| IFRS 1 Amendments | Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| IFRS 7 Amendments | Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets |

Other than as further explained below regarding the impact of amendments to IAS 12, the adoption of the revised IFRSs has had no significant financial effect on these consolidated financial statements.

The IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC-Int 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of IAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change and the prior year adjustments for the year ended 31 December 2011 are summarised below:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB '000* |
| **Consolidated income statement for the year ended 31 December** | | |
| Increase in income tax expense | **305** | 49 |
| Decrease in profit for the year | **305** | 49 |
| Decrease in other comprehensive income | **–** | 3,766 |
| Decrease in basic earnings per share *(RMB cents)*# | **–** | – |
| Decrease in diluted earnings per share *(RMB cents)*# | **–** | – |
| **Consolidated statement of financial position at 31 December** | | |
| Increase in deferred tax liabilities and total non-current liabilities | **4,120** | 3,815 |
| Decrease in net assets and reserves | **4,120** | 3,815 |
| **Consolidated statement of financial position at 1 January** | | |
| Increase in deferred tax liabilities and total non-current liabilities | **3,815** | – |
| Decrease in net assets and reserves | **3,815** | – |

# Immaterial amount rounded down to Nil

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

| | |
|---|---|
| IAS 1 Amendments | Amendments to IAS 1 Presentation of Financial Statement – Other Comprehensive Income [1] |
| IAS 19 (2011) | Employee Benefits [2] |
| IAS 27 (2011) | Separate Financial Statements [2] |
| IAS 28 (2011) | Investments in Associate and Joint Ventures [2] |
| IAS 32 Amendments | Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities [3] |
| IFRS 9 | Financial Instruments [4] |
| IFRS 10 | Consolidated Financial Statement [2] |
| IFRS 11 | Joint Arrangement [2] |
| IFRS 12 | Disclosure of Interests in Other Entities [2] |
| IFRS 13 | Fair Value Measurement [2] |
| IFRS 1 Amendments | Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Government Loans [2] |
| IFRS 7 Amendments | Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities [2] |
| IFRS 10, IFRS 11 and IAS 27 (2011) Amendments | Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities [3] |
| IFRS 10, IFRS 11 and IFRS 12 Amendments | Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance [2] |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine [2] |
| Annual Improvements 2009 – 2011 Cycle | Amendments to a number of IFRSs issued in May 2012 [2] |

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2011: two) reportable operating segments as follows:

(i) Fire-fighting equipment segment – manufacture and sales of fire fighting equipment products;

(ii) Consulting and testing services segment – provision of fire technology consulting, testing and inspection services; and

(iii) Grooved couplings segment – manufacture and trading of iron casted grooved couplings (which was commenced during the year ended 31 December 2012).

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 assets exclude investment properties as these assets are managed on a group basis.

Segment liabilities exclude amount due to immediate holding company, tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

**For the year ended 31 December 2012**

| | Fire-fighting equipment *RMB'000* | Consulting and testing services *RMB'000* | Grooved couplings *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales/services provided to external customers | **26,833** | **7,955** | **947** | **35,735** |
| **Segments results** | **557** | **3,036** | **86** | **3,679** |
| Reconciliation: | | | | |
| Interest income | | | | **36** |
| Other income | | | | **100** |
| Gross rental income | | | | **1,993** |
| Fair value gains on investment properties | | | | **1,220** |
| Corporate and unallocated expenses | | | | **(728)** |
| Profit before tax | | | | **6,300** |
| Segment assets | **36,754** | **–** | **5,784** | **42,538** |
| Unallocated assets | | | | **23,370** |
| Total assets | | | | **65,908** |
| Segment liabilities | **7,462** | **–** | **679** | **8,141** |
| Unallocated liabilities | | | | **5,989** |
| Total liabilities | | | | **14,130** |
| Capital expenditure* | **301** | **–** | **34** | **335** |
| Depreciation and amortisation | **1,799** | **–** | **197** | **1,996** |

For the year ended 31 December 2011, the Group operated two business segments, being the sales of fire fighting equipment segment and consulting and testing services segment in the PRC.

For the year ended 31 December 2011

| | Fire-fighting equipment<br>*RMB'000* | Consulting and testing services<br>*RMB'000* | Total<br>*RMB'000*<br>(Restated) |
|---|---|---|---|
| **Segment revenue:** | | | |
| Sales/services provided to external customers | 34,687 | 3,819 | 38,506 |
| **Segments results** | 2,522 | 1,056 | 3,578 |
| Reconciliation: | | | |
| Interest income | | | 27 |
| Reversal of impairment loss on loans receivable from former controlling shareholder | | | 11,065 |
| Gain on bargain purchase | | | 861 |
| Gross rental income | | | 790 |
| Fair value gains on investment properties | | | 196 |
| Corporate and unallocated expesnes | | | (1,435) |
| Profit before tax | | | 15,082 |
| Segment assets | 33,022 | 4,302 | 37,324 |
| Unallocated assets | | | 22,150 |
| Total assets | | | 59,474 |
| Segment liabilities | 8,410 | 286 | 8,696 |
| Unallocated liabilities | | | 5,664 |
| Total liabilities | | | 14,360 |
| Capital expenditure* | 7,450 | 29 | 7,479 |
| Depreciation and amortisation | 1,884 | 106 | 1,990 |

* Capital expenditure consists of additions to property, plant and equipment, investment properties and construction in progress, including assets from the acquisition of a subsidiary.

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

**Information about a major customer**

Revenue of approximately RMB3,476,000 (2011: approximately RMB4,460,000) was derived from sales of fire-fighting equipment to a single customer, which is an independent third party, during the year ended 31 December 2012.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income arising from the Group's principal activities, being manufacture and sale of fire fighting equipment products, provision of fire technology consulting, testing and inspection services and manufacture and trading of iron casted grooved couplings, 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:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Sales of fire-fighting equipment | **26,833** | 34,687 |
| Consulting and testing services rendered | **7,955** | 3,819 |
| Trading of grooved couplings | **947** | – |
| Total revenue | **35,735** | 38,506 |
| **Other income and Gains** | | |
| Interest income | **36** | 27 |
| Others | **259** | 139 |
| Gross rental income | **1,993** | 790 |
| Sales of scrap | **674** | 770 |
| Fair value gains on investment properties | **1,220** | 196 |
| Gain on disposal of items of property, plant and equipment | **7** | 52 |
| Recovery of bad debts | **148** | – |
| Total other income and gains | **4,337** | 1,974 |
| Total revenue, other income and gains | **40,072** | 40,480 |

## 6. PROFIT BEFORE TAX

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| Cost of inventories sold | **22,793** | 25,965 |
| Cost of services provided | **3,915** | 2,763 |
| | **26,708** | 28,728 |
| Amortisation of prepaid land lease payments | **3** | 3 |
| Depreciation of property, plant and equipment | **1,993** | 1,987 |
| Minimum lease payments under operating leases: | | |
| Plant and machinery | **29** | 29 |
| Land and buildings | **581** | 597 |
| Auditors' remuneration | **322** | 488 |
| Write off of property, plant and equipment | **1** | 20 |
| Staff costs (including directors' and supervisors' remuneration): | | |
| Wages and salaries | **5,429** | 6,031 |
| Pension scheme contributions | **618** | 728 |
| Social security costs | **463** | 179 |
| | **6,510** | 6,938 |
| Reversal of impairment loss on loans receivable from former controlling shareholder | **–** | (11,065) |
| Gain on disposal of items of property, plant and equipment | **(7)** | (52) |
| Interest income | **(36)** | (27) |

## 7. 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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

| | 2012<br>*RMB'000* | 2011<br>*RMB'000*<br>(Restated) |
|---|---|---|
| **Group:** | | |
| Current – elsewhere | **209** | 133 |
| Deferred | **305** | 49 |
| Total tax charge for the year | **514** | 182 |

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 will expire in the next five years.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the subsidiary 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:

| | Group | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Profit before tax | **6,300** | | 15,082 | |
| Tax at statutory tax rate | **1,575** | **25** | 3,770 | 25 |
| Tax effect of non-deductible expenses | **575** | **9** | 772 | 5 |
| Tax effect of non-taxable income | **(1,073)** | **(17)** | (1,095) | (7) |
| Tax effect on temporary differences not recognised | **(81)** | **(1)** | (2,304) | (15) |
| Tax effect of tax losses utilised | **(482)** | **(8)** | (990) | (7) |
| Others | **–** | **–** | 29 | – |
| Tax charge at the Group's effective tax rate | **514** | **8** | 182 | 1 |

## 8. 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 RMB5,502,000 (2011: RMB14,799,000 (as restated)) and on the number of ordinary shares of 187,430,000 (2011: 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 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

## 9. TRADE AND BILLS RECEIVABLES

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **8,171** | 7,810 |
| Bills receivables | **600** | 1,069 |
| | **8,771** | 8,879 |

The Group's trading terms with its customers are mainly on credit, the credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. The Group 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 Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **3,323** | 2,913 |
| 1 to 2 months | **910** | 913 |
| 2 to 3 months | **999** | 1,454 |
| Over 3 months | **3,539** | 3,599 |
| | **8,771** | 8,879 |

## 10. 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** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **766** | 1,189 |
| 1 to 2 months | **460** | 874 |
| 2 to 3 months | **230** | 253 |
| Over 3 months | **2,159** | 2,201 |
| | **3,615** | 4,517 |

## DIVIDEND

The Board does not recommend the payment of any dividends for the year ended 31 December 2012 (2011: Nil).

## COMMITMENTS

### (1) Operating lease arrangements

#### *(a) As lessor*

The Group leases its investment 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 2012, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

| | **Group** | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Within one year | **1,814** | 1,560 |
| In the second to fifth years, inclusive | **4,442** | 6,246 |
| | **6,256** | 7,806 |

#### *(b) As lessee*

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

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Within one year | **535** | 704 |
| In the second to fifth years, inclusive | **2,862** | 3,110 |
| After five years | **704** | 1,050 |
| | **4,101** | 4,864 |

**(2) Capital and other commitments**

At the end of the reporting period, apart for the Acquisition detailed in the Material Acquisition section, the Group had no significant capital and other commitments.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Total revenue of the Group decreased from RMB38,506,000 in the year 2011 to RMB35,735,000 in the year 2012, representing a decrease of 7%. The decrease was mainly attributable to the suspension of the Company's Certificates for Product Type Approval issued by the China Certification Centre for Fire Products of the Ministry of Public Security of the PRC ("CCCF") for the Company's water spray fire extinguishers and carbon dioxide fire extinguishers for the period form March to July 2012 and those for the Company's dry powder fire extinguishers had been suspended during the period from March 2012 to February 2013.

### COST OF SALES

For the year ended 31 December 2012, the cost of sales of the Group amounted to approximately RMB26,708,000 (2011: RMB28,728,000), representing a year-on-year decrease of 7%. The main components of cost of sales for the Group include raw materials, especially steel and aluminium, and labour cost.

### GROSS PROFIT

For the year ended 31 December 2012, the gross profit of the Group amounted to approximately RMB9,027,000. Gross profit margin for the year ended 31 December 2012 is stable at 25% when compared with approximately 25% for the year ended 31 December 2011. The fire consulting and testing services provided a high gross margin and led to an overall stable gross profit margin.

## OTHER INCOME

For the year ended 31 December 2012, the other income of the Company increased to approximately RMB4,337,000 when compared with approximately RMB1,974,000 for the year ended 31 December 2011. The increase in other income is mainly attributable to an increase in rental income and fair value gains on investment properties.

## ADMINISTRATIVE EXPENSES

For the year ended 31 December 2012, administrative expenses for the Group amounted to approximately RMB6,222,000, representing a year-on-year decrease of approximately 20%. The decrease was mainly attributable to the reduction in the number of administrative staff and the cost control on administrative expenses.

## FINANCE COSTS

The Company recorded no finance cost for the year ended 31 December 2012 (2011: Nil).

## PROFIT FOR THE YEAR

For the year ended 31 December 2012, the profit for the year of the Group amounted to approximately RMB5,786,000 (2011: RMB14,900,000), representing a year-on-year decrease of 61%. The decrease in profit was mainly attributable to the non-recurring reversal of impairment loss on loans receivable from former controlling shareholder in 2011.

## TAXATION

Pursuant to the Income Tax Law of the PRC, The Company is liable to corporate income tax at a rate of 25% on its assessable profits.

Provision has been made for PRC corporate income tax for the year and the current year's assessable profits in the PRC has been partially offset tax losses brought forward from previous year.

The Company did not provide for deferred tax on tax losses due to the uncertainty in the profitability of the Company in the foreseeable future.

## OUTLOOK

The Company's "Pujiang" ("浦江") brand name was awarded as Shanghai Famous Trademark (上海市著名商標) by Shanghai General Administration for Industry and Commerce (上海市工商行政管理局) for the period from 2006 to 2011. In December 2011, the Company's "Pujiang" branded fire extinguishers were awarded as the China Famous Brand (中國著名品牌) and the National Trustworthy Quality Products (全國質量信得過產品) by the China Brand Quality Management Evaluation Centre (中國品牌質量管理評價中心) and the Small and Medium Enterprises Famous Brand Development

Committee for China (中國中小企業名牌培育工作委員會) for a valid period of three years. An established brand name will assist the Company in promoting the sales of its products in Shanghai, Zhejiang, Jiangsu, and Guangdong. The Company will continue to engage in advertising and marketing activities to promote the brand name of "Pujiang".

The Company's fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder, with 31 specifications in total. 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. The high quality of the Company's products will enhance the competitiveness in the market.

## FUTURE PLAN

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 fire extinguishers and aluminum pressure cylinders and production of lower-margin steel pressure cylinders will be reduced to raise the overall profit margin of the Company.

The Company entered into a sales framework agreement with independent third parties Jiangshan Yinjian Fire Prevention Complete Set of Equipment Co., Ltd. (江山市銀劍消防成套設備有限公司) ("Yinjian") and Shanghai Lianmin Fire-Fighting Equipment Co., Ltd. (上海聯閔消防設備有限公司) ("Lianmin") in November 2012 (the "Framework Agreement"). The term of the Framework Agreement commenced from the date of signing to 31 December 2015. According to the Framework Agreement, Yinjian commissioned the Company to design and develop iron casted grooved couplings for fire protection pipes (消防管道鑄鐵溝槽件) and the Company shall be the exclusive supplier of those grooved couplings to Yinjian and Lianmin. The Company can sell the grooved couplings to other third parties in addition to Yinjian and Lianmin.

The Company has extended processing agreement with Shanghai Hurong Fire Equipment Co., Ltd. (上海市滬榮消防器材有限公司) ("Hurong') and sales orders of aluminum alloy cylinders with Shanghai Congfa Industrial Co., Ltd. (上海叢發實業有限公司) ("Congfa") until February 2016 and December 2013 respectively.

The Company will focus more resources on the regions with high demand for its products in the PRC, such as Shanghai, Zhejiang, Jiangsu, and Guangdong.

## LIQUIDITY AND FINANCE

The cash and cash equivalents of the Group increased from approximately RMB6,756,000 as at 31 December 2011 to RMB12,726,000 as at 31 December 2012.

### Foreign exchange exposure

The Group's exposure to foreign exchange risks is minimal as most of the Group's assets and liabilities, revenue and expenditure are denominated in Renminbi.

### Borrowings and banking facilities

As at 31 December 2012, the Group had no borrowings.

### Charges on group assets

As at 31 December 2012, none of the Group's assets was pledged to secure any facilities or borrowings granted to the Group.

### Gearing ratio

The Group's gearing ratio is calculated at net debt divided by the total capital plus net debt. Net debt includes trade payables, other payables and accruals and amount due to immediate holding company, less cash and cash equivalents. The Group did not have gearing as at 31 December 2012 (2011: 8%).

### Capital structure and financial resources

As at 31 December 2012, the Group had net asset value of approximately RMB51,778,000 (2011: RMB45,114,000). The Group's operations and investments are financed principally by internal resources and shareholders' equity.

There has been no changes in the share capital structure of the Company during the year.

## MATERIAL ACQUISITION

On 7 November 2012, the Company and its subsidiary, Shanghai Liming Fire Testing Co., Limited ("Liming"), entered into a sale and purchase agreement ("Agreement") (and an Excluded Interest agreement with the Vendors, Shanghai Anchor Pressure Vessel (Group) Co., Limited ("Anchor") and Shanghai Pressure Special Gas Cylinder Co., Limited ("Special Cylinder"), a subsidiary of Anchor, as part of the transaction under the Agreement) with Liancheng Fire-Fighting Group Company Limited, a controlling shareholder of the Company, and Mr. Wang Sheng (the "Mr. Wang"), an independent third party (collectively, the "Vendors"), pursuant to which, the Company and Liming shall acquire from the Vendors the entire issued share capital of Anchor and its subsidiaries, except for the land and building situated at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai (the "Excluded Interest") held by Special Cylinder, at a consideration of RMB6 million (the "Acquisition"). The consideration shall be settled by cash upon 12 months after the completion of the registration procedure for the change of Anchor's shareholders in connection with the Acquisition.

The Acquisition has not yet been completed as at the date of this announcement.

## EMPLOYEES

As at 31 December 2012, the Group had 161 employees (2011: 164 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.

## 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 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 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.

## 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 2012 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.

The Audit Committee has reviewed the Company's audited final results for the year ended 31 December 2012.

## SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Company's auditors, Ascenda Cachet CPA Limited (the "Auditors"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

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

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

## AUDITORS

There has 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.

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

Hong Kong, 20 March 2013

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief 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.*

*This announcement will be published on the GEM website on the "Latest Company Announcement" for at least 7 days from the date of publication.*