



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)**

## **THIRD QUARTERLY REPORT 2008**

\* *For identification purpose only*

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company”) is pleased to announce the unaudited results of the Company for the nine months ended 30 September 2008 together with the unaudited comparative figures for the corresponding period in 2007, as follows:

	<i>Notes</i>	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
		2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Turnover	3	<b>24,626</b>	31,676	<b>8,692</b>	9,352
Cost of sales		<b>(23,883)</b>	(29,212)	<b>(8,038)</b>	(9,038)
Gross profit		<b>743</b>	2,464	<b>654</b>	314
Other revenue and income	3	<b>713</b>	686	<b>370</b>	309
Provision for loss on financial guarantees		<b>(662)</b>	(666)	<b>(221)</b>	(222)
Reimbursement receivable for loss on financial guarantees		<b>662</b>	666	<b>221</b>	222
Impairment loss on reimbursement receivables for loss on financial guarantee		<b>(523)</b>	(413)	<b>(174)</b>	-
Distribution costs		<b>(316)</b>	(409)	<b>(58)</b>	(143)
Administrative expenses		<b>(3,584)</b>	(4,399)	<b>(997)</b>	(1,427)
Loss from operation		<b>(2,967)</b>	(2,071)	<b>(205)</b>	(947)
Finance costs	4	<b>(401)</b>	(408)	<b>(132)</b>	(131)
Loss before tax		<b>(3,368)</b>	(2,479)	<b>(337)</b>	(1,078)
Income tax	5	-	-	-	-
Loss for the period and total comprehensive loss for the period		<b><u>(3,368)</u></b>	<u>(2,479)</u>	<b><u>(337)</u></b>	<u>(1,078)</u>

		Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
		2008	2007	2008	2007
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period and total comprehensive loss for the period attributable to owners of the Company		<u><u>(3,368)</u></u>	<u><u>(2,479)</u></u>	<u><u>(337)</u></u>	<u><u>(1,078)</u></u>
Dividend	7	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Loss per share (RMB) - Basic (cents)	6	<u><u>(0.018)</u></u>	<u><u>(0.013)</u></u>	<u><u>(0.002)</u></u>	<u><u>(0.006)</u></u>

Notes:

## 1. CORPORATE INFORMATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 1 December 2000 and its H shares were listed on the GEM on 30 June 2004.

The Company is principally engaged in manufacture and sale of fire-fighting equipment products.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") No.34 "Interim Financial Reporting" and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the Rules Governing the Listing of Securities on GEM. The financial information has been prepared under the historical convention.

The condensed financial statements for the three months and nine months ended 30 September 2008 are unaudited, but have been reviewed by the audit committee of the Company.

Other than the adoption of the new and revised IFRSs as below, the accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2007.

The Company has early adopted certain new and revised IFRSs published by the IASB which are effective for up to the accounting year ended 31 December 2009:

IFRS 1 Amendment	First-time Adoption of International Financial Reporting Standards
IFRS 7	Financial instruments: Disclosures
IFRS 8	Operating Segments
IAS 23 (Revised)	Borrowing Costs
IAS 32 Amendment	Financial Instruments: Disclosure and Presentation
IAS 1 Amendment	Presentation of Financial Statement: Capital disclosures

The adoption of these IFRSs had not had any significant impact on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

### 3. TURNOVER, OTHER REVENUE AND INCOME

The Company's turnover is derived principally from the sales of the fire-fighting equipment products.

An analysis of the Company's turnover, other revenue and income is as follows:

	Unaudited nine months ended 30 September 2008		Unaudited three months ended 30 September 2008	
	RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
<b>Turnover</b>				
Sales of goods	<b>24,626</b>	31,676	<b>8,692</b>	9,352
<b>Other revenue and income</b>				
Interest income	<b>1</b>	2	<b>-</b>	-
Sundry income	<b>712</b>	684	<b>370</b>	309
	<b>713</b>	686	<b>370</b>	309
Total turnover, revenue and income	<b>25,339</b>	32,362	<b>9,062</b>	9,661

### 4. FINANCE COSTS

	Unaudited nine months ended 30 September 2008		Unaudited three months ended 30 September 2008	
	RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
Interest on bank borrowings wholly repayable within 5 years	<b>394</b>	399	<b>130</b>	130
Exchange loss	<b>-</b>	-	<b>-</b>	-
Others	<b>7</b>	9	<b>2</b>	1
	<b>401</b>	408	<b>132</b>	131

## **5. INCOME TAX**

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 has decreased from 33% to 25% on 1 January 2008 and thereafter.

Pursuant to the relevant PRC tax regulations, High and New Technology Enterprises ("HNTE") operating within a designated High and New Technology Development Zone ("HNTDZ") are entitled to a reduced Enterprise Income Tax ("EIT") rate of 15%. The certification as a HNTE is subject to an annual review by the relevant government bodies.

The Company is subject to the Income Tax Law of the PRC and the normal EIT rate applicable is 25%. As the Company is recognized as a HNTE and is operating and registered in the designated HNTDZ, it is entitled to a reduced EIT rate of 15%. Accordingly, the Company is subject to EIT at a rate of 15%.

No provision for Hong Kong profits tax and PRC Enterprise Income Tax has been made as the Company had no assessable profits arising in Hong Kong and the PRC during the period (2007: Nil).

The tax effect of temporary differences for deferred tax assets was not recognized in the financial statements due to the uncertainty of future profits streams against which the assets can be utilized. These tax losses will expire in the next five years. (2007: Nil)

## **6. LOSS PER SHARE**

The calculation of the basic loss per share for the nine months ended 30 September 2008 was based on the loss attributable to equity holders of the Company of RMB3,368,000 (nine months ended 30 September 2007: RMB2,479,000), and the weighted average number of approximately 187,430,000 ordinary shares (30 September 2007: 187,430,000) in issue during the period.

Diluted earning per share has not been calculated, as there were no dilutive potential ordinary shares during the Relevant Periods.

## **7. DIVIDEND**

The directors do not recommend the payment of any dividend for the nine months ended 30 September 2008 (2007: Nil) in view of loss for the period.

## 8. RESERVES

	Share capital	Share premium	Capital reserve	Statutory reserve fund	Discretionary reserve fund	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Nine months ended</i>							
<i>30 September 2008</i>							
As at 1 January 2008	18,743	10,910	(1,941)	3,734	1,500	(61,221)	(28,275)
Total comprehensive loss for the period	-	-	-	-	-	(3,368)	(3,368)
Appropriation	-	-	156	-	-	(156)	-
As at 30 September 2008	<u>18,743</u>	<u>10,910</u>	<u>(1,785)</u>	<u>3,734</u>	<u>1,500</u>	<u>(64,745)</u>	<u>(31,643)</u>
<i>Nine months ended</i>							
<i>30 September 2007</i>							
As at 1 January 2007	18,743	10,910	(2,149)	3,734	1,500	(51,191)	(18,453)
Total comprehensive loss for the period	-	-	-	-	-	(2,479)	(2,479)
Appropriation	-	-	156	-	-	(156)	-
As at 30 September 2007	<u>18,743</u>	<u>10,910</u>	<u>(1,993)</u>	<u>3,734</u>	<u>1,500</u>	<u>(53,826)</u>	<u>(20,932)</u>

## **BUSINESS AND FINANCIAL REVIEW**

### **Turnover**

For the nine months ended 30 September 2008, the Company recorded a turnover of approximately RMB24,626,000 (for the nine months ended 30 September 2007: RMB31,676,000), representing a decrease of approximately 22.26% over the corresponding period of last year. Decline in turnover was a result of both movements in the Company's management personnel and the lost of contact with certain former customers.

### **Cost of sales**

For the nine months ended 30 September 2008, the Company's cost of sales amounted to approximately RMB23,883,000 (for the nine months ended 30 September 2007: RMB29,212,000), representing a decrease of approximately 18.24% over the corresponding period of last year. Cost of sales decreased alongside with turnover.

### **Gross profit**

For the nine months ended 30 September 2008, the Company recorded an overall gross profit of approximately RMB743,000 (for the nine months ended 30 September 2007: gross profit of approximately RMB2,464,000), representing a decrease of approximately 69.85% over the corresponding period of last year. The decrease was primarily attributable to the decrease of both turnover and cost of sales, which represents a decrease of approximately 20% over the corresponding period of last year.

### **Other revenue and income**

For the nine months ended 30 September 2008, other revenue and income reached approximately RMB713,000 (for the nine months ended 30 September 2007: RMB686,000). Other revenue and income for the nine months ended 30 September 2008 was primarily comprised revenues from the sales of waste amounting to approximately RMB411,000, while that for the nine months ended 30 September 2007 was primarily comprised revenues from the sales of waste amounting to approximately RMB515,000.

### **Distribution costs**

For the nine months ended 30 September 2008, the Company generated distribution costs of approximately RMB316,000, representing a decrease of approximately 22.74% over the corresponding period of last year. The significant decrease of distribution costs was primarily due to the decrease in turnover as well as the drop of commission fees.

## **Administrative expenses**

For the nine months ended 30 September 2008, the Company's administrative expenses amounted to approximately RMB3,584,000 (for the nine months ended 30 September 2007: RMB4,399,000), representing a decrease of approximately 18.53% over the corresponding period of last year, among which salary and other expenses, the two largest expenses, were on decline.

## **Finance costs**

Finance costs reached RMB401,000, representing a decrease of 1.71% over the corresponding period of last year.

## **Loss for the period**

For the nine months ended 30 September 2008, the Company recorded loss for the period of approximately RMB3,368,000 (for the nine months ended 30 September 2007: loss for the period of RMB2,479,000). Such changes indicate that the Company's result suffered an increase in loss of approximately RMB889,000 as compared with the corresponding period of 2007.

## **Income tax**

Pursuant to the relevant PRC tax regulations, the normal Enterprise Income Tax ("EIT") rate is 25%.

As the Company recorded loss for the nine months ended 30 September 2008, no EIT was charged.

No deferred tax was charged for tax loss as the Company cannot ascertain its earning position in the foreseeable future.

## **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.

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

As at 30 September 2008, the interests and short positions of the Directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

### Long positions in shares of the Company

Name	Capacity	Number of shares (Note 1)	Approximate percentage of total issued share capital
Mr. Li Zheng Li	Beneficial owner	15,144,375	8.08%
Mr. Jiang Zhou	Beneficial owner	13,190,000	7.04%
Ms. Li Min Zhi	Beneficial owner	7,098,750	3.79%

*Note:*

1. All represented domestic shares of the Company.

Save as disclosed above, as at 30 September 2008, none of the Directors and supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2008, the following person (other than the Director and supervisors of the Company) has any interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

#### **Long positions in shares of the Company**

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate percentage of total registered share capital</b>
Liancheng Fire-Fighting Group Company Limited	Beneficial owner	87,534,735 <i>(Note 1)</i>	46.70%
Zhejiang Hengtai Real estate Joint Stock Co., Ltd. <i>(Note 2)</i>	Held by controlled corporation	87,534,735 <i>(Note 1)</i>	46.70%
Mr. Zhou Jin Hui <i>(Note 2)</i>	Held by controlled corporation	87,534,735 <i>(Note 1)</i>	46.70%
Victory Investment China Group Ltd.	Beneficial owner	16,628,000	8.87%
Mr. Li Zheng Li	Beneficial owner	15,144,375 <i>(Note 1)</i>	8.08%
Mr. Jiang Zhou	Beneficial owner	13,190,000 <i>(Note 1)</i>	7.04%

*Notes:*

1. All represented domestic shares of the Company.
2. The 87,534,735 shares were held by Liancheng Fire-Fighting Group Company Limited. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. owns 90% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 87,534,735 shares in the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests representing 5 percent or more in the issued shares capital of the Company as at 30 September 2008.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

To the best knowledge of the Board, no contracts of significance in relation to the Company's business to which the Company was a party and in which any persons who were Directors or supervisors of the Company during the 9 months ended 30 September 2008 had a material interest, whether directly or indirectly, subsisted at 30 September 2008 or at any time during the 9 months ended 30 September 2008.

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

During the 9 months ended 30 September 2008, 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 Group and to provide advice to the directors of the Company.

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

The Audit Committee has reviewed the Group's unaudited results for the 9 months ended 30 September 2008 and has provided advice and comments thereon.

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

Hong Kong, 3 December 2010

*As at the date of this report, 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.*