



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)**

## **INTERIM REPORT 2010**

\* *For identification purpose only*

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

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## **INTERIM 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 six months ended 30 June 2010. For the six months ended 30 June 2010, the unaudited turnover is approximately RMB10,643,000, representing an increase of approximately RMB160,000 or approximately 1.53% as compared with that of the same period in 2009. The unaudited net loss of the Company for the six months ended 30 June 2010 is approximately RMB656,000 representing an increase of approximately 75.11% as compared with the corresponding period in 2009.

The unaudited condensed financial statements of the Company as of and for the three months and six months ended 30 June 2010 together with the unaudited comparative figures for the corresponding period in 2009 (“the Relevant Periods”) are as follows:

## UNAUDITED CONDENSED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	5,861	6,770	10,643	10,483
Cost of sales		<u>(5,062)</u>	<u>(6,026)</u>	<u>(9,557)</u>	<u>(9,609)</u>
Gross profit		799	744	1,086	874
Other revenue and income	3	107	2,526	276	2,932
Provision for loss on financial guarantees		-	(167)	-	(335)
Reimbursement receivable for loss on financial guarantees		-	167	-	335
Impairment loss on reimbursement receivables for loss on financial guarantee		-	-	-	(335)
Distribution costs		(67)	(41)	(150)	(119)
Administrative expenses		<u>(869)</u>	<u>(1,528)</u>	<u>(1,710)</u>	<u>(2,670)</u>
Profit/(loss) from operation		(30)	1,701	(498)	682
Finance costs	6	<u>(156)</u>	<u>(137)</u>	<u>(158)</u>	<u>(264)</u>
Profit/(loss) before tax	5	(186)	1,564	(656)	418
Income tax	7	-	-	-	-
Profit/(loss) for the period and total comprehensive income/(loss) for the period		<u>(186)</u>	<u>1,564</u>	<u>(656)</u>	<u>418</u>
Profit/(loss) for the period and total comprehensive income/(loss) for the period attributable to owners of the Company		<u>(186)</u>	<u>1,564</u>	<u>(656)</u>	<u>418</u>
Dividend	8	-	-	-	-
Profit/(loss) per share (RMB) - Basic (cents)	9	<u>(0.001)</u>	<u>0.008</u>	<u>(0.003)</u>	<u>0.002</u>

## CONDENSED BALANCE SHEET

		<b>Unaudited As at 30 June 2010 RMB'000</b>	Unaudited As at 31 December 2009 RMB'000
<b>NON-CURRENT ASSETS</b>			
Lease premium for land	10	717	726
Property, plant and equipment		<u>13,939</u>	<u>14,505</u>
<b>Total non-current assets</b>		<u><b>14,656</b></u>	<u>15,231</u>
<b>CURRENT ASSETS</b>			
Inventories		5,571	5,485
Trade receivables	11	2,399	2,889
Lease premiums for land	10	18	18
Prepayments, deposits and other receivables		1,289	1,816
Loans receivable due from former controlling shareholder		14,000	14,000
Cash and cash equivalents		<u>1,377</u>	<u>471</u>
<b>Total current assets</b>		<u><b>24,654</b></u>	<u>24,679</u>
<b>CURRENT LIABILITIES</b>			
Bank loans		20,000	24,650
Trade payables	12	2,908	2,827
Other payables and accruals		<u>35,864</u>	<u>31,239</u>
<b>Total current liabilities</b>		<u><b>58,772</b></u>	<u>58,716</u>
<b>NET CURRENT LIABILITIES</b>		<u><b>34,118</b></u>	<u>34,037</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(19,462)</b>	(18,806)
<b>NON-CURRENT LIABILITIES</b>			
Due to immediate holding company		<u>(10,860)</u>	<u>(10,860)</u>
<b>Net liabilities</b>		<u><b>(30,322)</b></u>	<u>(29,666)</u>
<b>EQUITY</b>			
Share capital	13	18,743	18,743
Reserves		<u>(49,065)</u>	<u>(48,409)</u>
<b>CAPITAL DEFICIENCY</b>		<u><b>(30,322)</b></u>	<u>(29,666)</u>

## UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Statutory reserve fund	Discretionary common reserve fund	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Six months ended 30 June 2010</i>							
As at 1 January 2010	18,743	10,910	(1,733)	3,734	1,500	(62,820)	(29,666)
Total comprehensive loss for the period	-	-	-	-	-	(656)	(656)
As at 30 June 2010	<u>18,743</u>	<u>10,910</u>	<u>(1,733)</u>	<u>3,734</u>	<u>1,500</u>	<u>(63,476)</u>	<u>(30,322)</u>
<i>Six months ended 30 June 2009</i>							
As at 1 January 2009	18,743	10,910	(1,733)	3,734	1,500	(69,015)	(35,861)
Total comprehensive income for the period	-	-	-	-	-	418	418
As at 30 June 2009	<u>18,743</u>	<u>10,910</u>	<u>(1,733)</u>	<u>3,734</u>	<u>1,500</u>	<u>(68,597)</u>	<u>(35,443)</u>

## UNAUDITED CONDENSED CASH FLOW STATEMENT

	Six months ended	
	30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	<b>5,781</b>	(7,118)
Net cash used in investing activities	<b>(225)</b>	(11)
Net cash (used in)/generated from financing activities	<u><b>(4,650)</b></u>	<u>6,951</u>
Net increase/(decrease) in cash and cash equivalents	<b>906</b>	(178)
Cash and cash equivalents, at beginning of period	<u><b>471</b></u>	<u>559</u>
Cash and cash equivalents, at end of period	<u><b>1,377</b></u>	<u>381</u>

Notes:

## 1. GENERAL

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.

The directors of the Company are of the opinion that the Company considered its immediate holding company be 聯城消防集團股份有限公司, a company established with limited liability in the PRC and its ultimate holding company be 浙江恒泰房地產有限公司, a company established with limited liability in the PRC.

## 2. 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 six months ended 30 June 2010 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 2009.

The Company has adopted certain new and revised IFRSs published by the IASB which are effective for up to the accounting year ended 31 December 2010:

IAS 1 Amendment	Presentation of Financial Statement: Capital disclosures
IAS 23 (Revised)	Borrowing Costs
IAS 32 Amendment	Financial Instruments: Disclosure and Presentation

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 sale of fire-fighting equipment products.

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
<b>Turnover</b>				
Sales of goods	5,861	6,770	10,643	10,483
<b>Other revenue and income</b>				
Sundry income	107	2,526	276	2,932
Total turnover, other revenue and income	<u>5,968</u>	<u>9,296</u>	<u>10,919</u>	<u>13,415</u>

### 4. SEGMENT INFORMATION

The Company has only one business segment, which is the manufacture and sale of fire fighting equipment products.

No segment information is presented during the period as the Company is principally engaged in one operating segment which is manufacturing and sale of fire fighting equipment products. The Company operates in the PRC and its major assets are located in the PRC, no geographical segment information is presented.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
PRC other than Hong Kong	<u>5,861</u>	<u>6,770</u>	<u>10,643</u>	<u>10,483</u>

## 5. PROFIT/(LOSS) BEFORE TAX

The Company's profit/(loss) before tax is arrived at after charging the following item:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amortization of lease premium for land	4	4	9	9
Depreciation on property, plant and equipment	390	536	791	1,073
Loss on impairment of reimbursement receivables	-	-	-	335
Repair and maintenance expenditures	7	15	17	54
Operating lease rentals for land and buildings	25	61	50	123
Staff costs	373	366	604	806
Auditors' remuneration	-	-	-	-
	<b>4</b>	<b>4</b>	<b>9</b>	<b>9</b>

## 6. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within 5 years	156	128	158	254
Exchange loss	-	-	-	-
Others	-	9	-	10
	<b>156</b>	<b>137</b>	<b>158</b>	<b>264</b>

## 7. INCOME TAX

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 (2009: 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. (2009: Nil)

## 8. DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 30 June 2010 (2009: Nil).

## 9. PROFIT/(LOSS) PER SHARE

The calculation of the profit/(loss) per share for the six months ended 30 June 2010 is based on the loss attributable to equity holders of the Company of RMB656,000 (six months ended 30 June 2009: profit of RMB418,000), and the weighted average number of approximately 187,430,000 (30 June 2009: 187,430,000) ordinary shares in issue during the period.

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

## 10. LEASE PREMIUM FOR LAND

Leasehold land premiums are up-front payments to acquire long-term interests in lessee-occupied properties. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

	<b>Unaudited 30 June 2010 RMB'000</b>	Unaudited 31 December 2009 RMB'000
Net book value as at 30 June and 31 December	735	744
Current portion that must be amortized within one year	<u>(18)</u>	<u>(18)</u>
	<b><u>717</u></b>	<b><u>726</u></b>

## 11. TRADE RECEIVABLES

	<b>Unaudited 30 June 2010 RMB'000</b>	Unaudited 31 December 2009 RMB'000
Trade receivables	2,399	2,889
Less: allowance for doubtful debts	<u>–</u>	<u>–</u>
	<b><u>2,399</u></b>	<b><u>2,889</u></b>

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 to three months, extending up to three to four months for overseas 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.

Details of the ageing analysis are as follows:

	<b>Unaudited 30 June 2010 RMB'000</b>	Unaudited 31 December 2009 RMB'000
Within 30 days	594	1,982
31 – 60 days	773	286
61 – 90 days	319	180
Over 90 days	713	441
	<u>2,399</u>	<u>2,889</u>

Credit terms of approximately 60 to 90 days would generally be granted to PRC customers. For overseas customers, the Company would normally grant a credit term of 90 to 120 days.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>Unaudited 30 June 2010 RMB'000</b>	Unaudited 31 December 2009 RMB'000
Neither past due nor impaired	1,685	2,448
Less than 1 month past due	317	151
1 to 3 months past due	362	185
More than 3 months past due	35	105
	<u>2,399</u>	<u>2,889</u>

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

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

## 12. TRADE PAYABLES

Details of the ageing analysis are as follows:

	<b>Unaudited 30 June 2010 RMB'000</b>	Unaudited 31 December 2009 RMB'000
Within 30 days	537	999
31 – 60 days	671	403
61 – 90 days	149	48
Over 90 days	<u>1,551</u>	<u>1,377</u>
	<u><b>2,908</b></u>	<u><b>2,827</b></u>

## 13. SHARE CAPITAL

Registered, issued and fully paid

	<b>Number of shares</b>	<b>Ordinary shares of RMB0.1 each RMB'000</b>
As at 30 June 2010 and 31 December 2009	<u>187,430,000</u>	<u>18,743</u>

## 14. CAPITAL RESERVE

In connection with a transfer of equity capital between investors of Shanghai Qingpu Fire-Fighting Equipment Factory in 1996, the Company's property, plant and equipment was revalued, and a revaluation surplus of approximately RMB1,733,000 was recorded as paid-in capital in its PRC GAAP financial statements. In the Company's financial statements prepared under IFRS, all property, plant and equipment was stated at historical cost. Accordingly, an adjustment of the same amount was recorded as a deficit of capital reserve.

## 15. OPERATING LEASE COMMITMENTS

As at 30 June 2010, the total future minimum lease payments in respect of non-cancelable operating leases for land and buildings are as follows:

	<b>Unaudited</b> <b>At 30 June</b> <b>2010</b> <i>RMB'000</i>	Unaudited At 31 December 2009 <i>RMB'000</i>
Within one year	<b>246</b>	246
Over one year but within 5 years	<b>982</b>	982
After 5 years	<b>695</b>	941
	<hr/> <b>1,923</b> <hr/>	<hr/> 2,169 <hr/>

## **BUSINESS AND FINANCIAL REVIEW**

### **Turnover**

For the six months ended 30 June 2010, the Company recorded a turnover of approximately RMB10,643,000 (for the six months ended 30 June 2009: RMB10,483,000), representing an increase of approximately 1.53% over the corresponding period of last year. As the economy began to recover, more orders were placed to the sales department of the Company.

### **Cost of sales and gross profit**

For the six months ended 30 June 2010, the Company's cost of sales amounted to approximately RMB9,557,000 (for the six months ended 30 June 2009: RMB9,609,000), representing a decrease of approximately 0.54% over the corresponding period of last year. In addition to the increase in turnover, the Company had also improved on the control on cost of sales.

For the six months ended 30 June 2010, the Company recorded overall gross profit of approximately RMB1,086,000 (for the six months ended 30 June 2009: gross profit of approximately RMB874,000), representing an increase of approximately 24.26% over the corresponding period of last year. Such increase was primarily attributable to the Company's improvement on the control on cost of sales, as well as the increase in turnover as a result of the economy recovery.

### **Other revenue and income**

For the six months ended 30 June 2010, other revenue and income reached approximately RMB276,000 (for the six months ended 30 June 2009: RMB2,932,000). Other revenue and income for the six months ended 30 June 2010 was primarily comprised revenue from the sales of waste amounting to RMB144,000, while that for the six months ended 30 June 2009 was primarily comprised reversal of accounts payables amounting to RMB2,651,000.

### **Distribution costs**

For the six months ended 30 June 2010, the Company generated distribution costs of approximately RMB150,000, representing an increase of approximately 26.05% over the corresponding period of last year. This was due to the increase of turnover as a result of economy recovery and the increase of commission and transportation expenses.

### **Administrative expenses**

For the six months ended 30 June 2010, the Company's administrative expenses amounted to approximately RMB1,710,000 (for the six months ended 30 June 2009: RMB2,670,000), representing a decrease of approximately 35.96% over the corresponding period of last year, primarily attributable to the decrease in wages.

### **Finance costs**

Finance costs reached RMB158,000, representing a decrease of 40.15% over the corresponding period of last year.

### **Loss for the period**

For the six months ended 30 June 2010, the Company recorded loss for the period of approximately RMB656,000 (for the six months ended 30 June 2009: profit for the period of RMB418,000). Such change indicates that the Company's loss has increased by approximately RMB1,074,000 over the corresponding period of last year.

### **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 six months ended 30 June 2010, no EIT was charged.

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

## **Net current asset**

As at 30 June 2010, the Company has net current liabilities of approximately RMB34,118,000, based on which, the current ratio was 0.42 (31 December 2009:0.40). The current liabilities increased from RMB58,716,000 on 31 December 2009 to RMB58,772,000 in 2010. Current assets as at that date mainly comprised inventories of approximately RMB5,571,000, accounts receivables of approximately RMB2,399,000, current land use right of approximately RMB18,000, prepayments, deposits and other receivables of approximately RMB1,289,000, receivables from former controlling shareholders of approximately RMB14,000,000 and cash and bank deposits of approximately RMB1,377,000. Current liabilities mainly comprised trade payables of approximately RMB2,908,000, other payables and accrued charges of approximately RMB35,864,000 and amounts due to former related companies of approximately RMB10,860,000.

## **Borrowings and banking facilities**

As at 30 June 2010, the Company had short-term borrowings of approximately RMB20,000,000 (31 December 2009: RMB24,650,000). Short-term borrowings of RMB20,000,000 were borrowed from relevant banks by former chairman Mr. Jiang Ziqiang in the name of the Company for former controlling shareholder Shanghai Huasheng Enterprises (Group) Company Limited. Partial repayment of certain bank borrowings has been made by Shanghai Huasheng Enterprises (Group) Company Limited and its subsidiaries.

## **Gearing ratio**

The Company's gearing ratio as at 30 June 2010 was 50.88% (31 December 2009: 61.76%), which was expressed as a percentage of the total bank borrowings over total assets.

## **Capital structure and financial resources**

As at 30 June 2010, the Company had net liabilities of approximately RMB19,911,000. The Company's operations are financed principally by bank borrowings, shareholders' borrowings and shareholders' equity.

## **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 June 2010, 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	Approximate percentage of total issued share capital
Mr. Zhou Jin Hui ( <i>Note 1</i> )	Held by controlled corporation	133,170,000	71.05%
Mr. Rao Jun Xi ( <i>Note 2</i> )	Held by controlled corporation	133,170,000	71.05%

#### *Note:*

1. Liancheng Fire-Fighting Group Company Limited holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. 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, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company
2. Liancheng Fire-Fighting Group Company Limited holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. owns 90% of Liancheng Fire-Fighting Group Company Limited and Mr. Rao Jun Xi owns 3% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Rao Jun Xi was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company

Save as disclosed above, as at 30 June 2010, 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 June 2010, 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	131,870,000 <i>(Note 1)</i>	70.36%
	Held by controlled corporation	1,300,000	0.69%
Zhejiang Hengtai Real estate Joint Stock Co., Ltd. <i>(Note 2)</i>	Held by controlled corporation	133,170,000	71.05%
Mr. Zhou Jin Hui <i>(Note 2)</i>	Held by controlled corporation	133,170,000	71.05%
Mr. Rao Jun Xi <i>(Note 3)</i>	Held by controlled corporation	133,170,000	71.05%
Victory Investment China Group Ltd.	Beneficial owner	16,628,000	8.87%

*Notes:*

1. All represented domestic shares of the Company.
2. Liancheng Fire-Fighting Group Company Limited holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. 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.
3. Liancheng Fire-Fighting Group Company Limited holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. owns 90% of Liancheng Fire-Fighting Group Company Limited and Mr. Rao Jun Xi owns 3% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Rao Jun Xi was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H 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 June 2010.

## **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 6 months ended 30 June 2010 had a material interest, whether directly or indirectly, subsisted at 30 June 2010 or at any time during the 6 months ended 30 June 2010.

## **EMPLOYEES**

As at 30 June 2010, the Company had 135 employees (30 June 2009: 132 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 6 months ended 30 June 2010, 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 6 months ended 30 June 2010 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.*