



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)**

## FIRST QUARTERLY REPORT 2011

\* 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 three months ended 31 March 2011 together with the unaudited comparative figures for the corresponding period in 2010, as follows:

### UNAUDITED CONDENSED INCOME STATEMENT

		Three months ended	
		31 March	
	<i>Notes</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Turnover	3	6,731	4,782
Cost of sales		<u>(5,866)</u>	<u>(4,495)</u>
Gross profit		865	287
Other revenue and income	3	83	169
Distribution costs		(72)	(83)
Administrative expenses		<u>(1,108)</u>	<u>(842)</u>
Loss from operation		(232)	(469)
Finance costs	4	<u>-</u>	<u>(2)</u>
Loss before tax		(232)	(471)
Income tax	5	<u>-</u>	<u>-</u>
Loss for the period and total comprehensive loss for the period		<u><u>(232)</u></u>	<u><u>(471)</u></u>
Loss for the period and total comprehensive loss for the period attributable to owners of the Company		<u><u>(232)</u></u>	<u><u>(471)</u></u>
Dividend	6	<u><u>-</u></u>	<u><u>-</u></u>
Loss per share (RMB)			
– Basic (cents)		<u><u>(0.001)</u></u>	<u><u>(0.003)</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.

The Directors of the Company are of the opinion that the immediate holding company of the Company be 聯城消防集團股份有限公司, a company established with limited liability in the PRC, and the ultimate holding company of the 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 accompanying unaudited results are prepared in accordance with the International Financial Reporting Standards ("IFRSs") as published by the International Accounting Standard Board ("IASB").

The unaudited first quarterly results for the three months ended 31 March 2011 has 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 2010.

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 2011:

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

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 fire-fighting equipment products.

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Turnover</b>		
Sale of goods	<b>6,731</b>	4,782
<b>Other revenue and income</b>		
Sundry income	<b>83</b>	169
Total turnover, other revenue and income	<b><u>6,814</u></b>	<b><u>4,951</u></b>

### 4. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest expenses on bank loans wholly repayable within 5 years	-	-
Exchange losses	-	-
Others	-	(2)
	<b><u>-</u></b>	<b><u>(2)</u></b>

### 5. 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 (2010: 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 (2010: Nil).

## 6. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2011 (2010: Nil) in view of the loss for the period.

## 7. RESERVES

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Discretionary common reserve fund RMB'000	Acc- umulated loss RMB'000	Total RMB'000
<i>31 March 2011</i>							
As at 1 January 2011	18,743	10,910	22,799	3,734	1,500	(40,347)	17,339
Total comprehensive loss for the period	-	-	-	-	-	(232)	(232)
As at 31 March 2011	<u>18,743</u>	<u>10,910</u>	<u>22,799</u>	<u>3,734</u>	<u>1,500</u>	<u>40,579</u>	<u>17,107</u>
<i>31 March 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	-	-	-	-	-	(471)	(471)
As at 31 March 2010	<u>18,743</u>	<u>10,910</u>	<u>(1,733)</u>	<u>3,734</u>	<u>1,500</u>	<u>(63,291)</u>	<u>(30,137)</u>

## **BUSINESS AND FINANCIAL REVIEW**

### **Turnover**

For the three months ended 31 March 2011, the Company recorded a turnover of approximately RMB6,731,000 (for the three months ended 31 March 2010: RMB4,782,000), representing an increase of approximately 40.75% over the corresponding period of last year. The increase was primarily because the management garnered new customers for its fire extinguishers and aluminum cylinders business and increased incoming materials for its processing business to cope with market changes.

### **Cost of sales**

For the three months ended 31 March 2011, the Company's cost of sales amounted to approximately RMB5,866,000 (for the three months ended 31 March 2010: RMB4,495,000), representing an increase of approximately 30.50% over the corresponding period of last year. The increase was attributable to the corresponding increase in turnover.

### **Gross profit**

For the three months ended 31 March 2011, the Company recorded overall gross profit of approximately RMB865,000 (for the three months ended 31 March 2010: RMB287,000), representing an increase of approximately 201.39% over the corresponding period of last year. The increase was primarily attributable to the improved control on cost of sales.

### **Other revenue and income**

For the three months ended 31 March 2011, other revenue and income reached approximately RMB83,000 (for the three months ended 31 March 2010: RMB169,000). Other revenue and income for the three months ended 31 March 2011 was primarily comprised of revenue from the sales of waste amounting to RMB74,000 (for the three months ended 31 March 2010: RMB93,000).

### **Distribution costs**

For the three months ended 31 March 2011, the Company generated distribution costs of approximately RMB72,000, representing a decrease of approximately 13.25% over the corresponding period of last year. The decrease was primarily due to the improved control on the distribution costs.

## **Administrative expenses**

For the three months ended 31 March 2011, the Company's administrative expenses amounted to approximately RMB1,108,000 (for the three months ended 31 March 2010: RMB842,000), representing an increase of approximately 31.59% over the corresponding period of last year. The increase was attributable to the improvement in operating environment.

## **Finance costs**

During the period, the Company had no finance cost (for the three months ended 31 March 2010: RMB2,000).

## **Loss for the period**

For the three months ended 31 March 2011, the Company recorded loss for the period of approximately RMB232,000 (for the three months ended 31 March 2010: loss for the period RMB471,000). Such change indicates that the Company's results have improved by approximately RMB239,000 over the corresponding period of year 2010.

## **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 three months ended 31 March 2011, no EIT was charged.

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

## **Subsequent Event**

Subsequent to 31 December 2010, the Company entered into an agreement with independent third parties (Vendors) on 9 May 2011, pursuant to which the Company agreed to acquire 90% equity interests of Shanghai Li Ming Fire-Fighting Equipment Testing Company Limited ("Shanghai Li Ming") for a consideration of RMB1.8 million. Shanghai Li Ming is a company incorporated in Shanghai, the PRC with limited liability and is engaged in the business of testing of fire-fighting equipment products.



## **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 31 March 2011, 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%

*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 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company

Save as disclosed above, as at 31 March 2011, 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 IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 March 2011, 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

Name of Shareholders	Capacity	Number of shares	Approximate percentage of total registered share capital
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.	Held by controlled corporation	133,170,000 ( <i>Note 2</i> )	71.05%
Mr. Zhou Jin Hui	Held by controlled corporation	133,170,000 ( <i>Note 2</i> )	71.05%
Victory Investment China Group Ltd.	Beneficial owner	16,628,000	8.87%
Chu Yuet Wah	Held by controlled corporation	16,628,000 ( <i>Note 3</i> )	8.87%
Best Forth Limited	Held by controlled corporation	16,628,000 ( <i>Note 3</i> )	8.87%
Ample Cheer Limited	Held by controlled corporation	16,628,000 ( <i>Note 3</i> )	8.87%
Kingston Finance Limited	Person having a security interest in shares	16,628,000	8.87%

### Notes:

- All represented domestic shares of the Company.
- 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 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 133,170,000 shares in the Company.

- Kingston Finance Limited has a security interest in 16,628,000 H Shares of the Company. Ample Cheer Limited, 80% shares of which are held by Best Forth Limited, holds 100% of Kingston Finance Limited. Chu Yuet Wah holds 100% of Best Forth Limited.

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 31 March 2011.

## **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 3 months ended 31 March 2011 had a material interest, whether directly or indirectly, subsisted at 31 March 2011 or at any time during the 3 months ended 31 March 2011.

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

During the three months ended 31 March 2011, 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 wishes 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 three months ended 31 March 2011 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, 13 May 2011

*As at the date of this report, the executive Directors are Mr. Zhou Jin Hui, Mr. Gong Xu Lin and Mr. Shen Jian Zhong; the non-executive Directors are Ms. Chai Xiao Fang and Ms. Wang Xiang; and the independent non-executive Directors are Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying.*