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 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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* *For identification purpose only*

RESULTS FOR THE YEAR

The Board of Directors (the "Board") of Shanghai Qingpu Fire-Fighting 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 2011, together with the comparative figures for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	*5*	**38,506**	21,362
Cost of sales		**(28,728)**	(19,992)
Gross profit		**9,778**	1,370
Other income and gains	*5*	**1,974**	5,464
Provisions for loss on financial guarantees		**–**	(190)
Reimbursement receivable for loss on financial guarantees		**–**	190
Reversal of impairment loss on reimbursement receivables for loss on financial guarantees		**–**	23,940
Reversal of impairment loss on loan receivable from former controlling shareholder		**11,065**	–
Gain on bargain purchase		**861**	–
Distribution costs		**(843)**	(357)
Administrative expenses		**(7,753)**	(7,141)
Finance costs	*7*	**–**	(803)
Profit before tax	*6*	**15,082**	22,473
Income tax expense	*8*	**(133)**	–
Profit for the year		**14,949**	22,473
Attributable to:			
Owners of the Company		**14,848**	22,473
Non-controlling interests		**101**	–
Profit for the year		**14,949**	22,473
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic (RMB cents)		**8**	12
Diluted (RMB cents)		**8**	12

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**14,949**	22,473
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Gain on property revaluation	**15,065**	–
TOTAL COMPREHENSIVE INCOME	**30,014**	22,473
Attributable to:		
Owners of the Company	**29,913**	22,473
Non-controlling interests	**101**	–
	30,014	22,473

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON–CURRENT ASSETS			
Property, plant and equipment		**11,210**	12,371
Investment properties		**22,150**	–
Prepaid land lease payments		**128**	710
Total non-current assets		**33,488**	13,081
CURRENT ASSETS			
Inventories		**6,065**	6,598
Trade receivables	*10*	**8,879**	3,069
Prepayments, deposits and other receivables		**2,833**	1,817
Due from fellow subsidiaries		**1,453**	165
Loans receivable from former controlling shareholder		**–**	–
Cash and cash equivalents		**6,756**	11,770
Total current assets		**25,986**	23,419
CURRENT LIABILITIES			
Trade payables	*11*	**4,517**	3,777
Other payables and accruals		**4,179**	9,384
Tax payables		**49**	–
Total current liabilities		**8,745**	13,161
NET CURRENT ASSETS		**17,241**	10,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,729**	23,339
NON-CURRENT LIABILITY			
Due to the immediate holding company		**(1,800)**	(6,000)
Net assets		**48,929**	17,339
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**18,743**	18,743
Reserves		**29,789**	(1,404)
		48,532	17,339
Non-controlling interests		**397**	–
Total equity		**48,929**	17,339

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	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 2010	18,743	10,910	(1,733)	3,734	1,500	–	(62,820)	(29,666)	–	(29,666)
Total comprehensive income for the year	–	–	–	–	–	–	22,473	22,473	–	22,473
Waiver of amount due to the immediate holding company	–	–	24,532	–	–	–	–	24,532	–	24,532
At 31 December 2010 and 1 January 2011	18,743	10,910	22,799	3,734	1,500	–	(40,347)	17,339	–	17,339
Profit for the year	–	–	–	–	–	–	14,848	14,848	101	14,949
Other comprehensive income for the year:										
Gain on property revaluation	–	–	–	–	–	15,065	–	15,065	–	15,065
Total comprehensive income for the year	–	–	–	–	–	15,065	14,848	29,913	101	30,014
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	296	296
Transfer from retained profits	–	–	–	1,302	–	–	(1,302)	–	–	–
Waiver of amount due to the immediate holding company	–	–	1,280	–	–	–	–	1,280	–	1,280
At 31 December 2011	18,743	10,910*	24,079*	5,036*	1,500*	15,065*	(26,801)*	48,532	397	48,929

* These reserve accounts comprise the consolidated reserves of approximately RMB29,789,000 (2010: RMB(1,404,000)) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 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

The provision of fire technology consulting testing and inspection services was performed by a newly acquired subsidiary, Shanghai Liming Fire Testing Co., Limited, during the year.

In the opinion of the directors, the immediate holding company is 聯城消防集團股份有限公司(literally translated as "Liancheng Fire-Fighting Group Joint Stock Co., Ltd.", "Liancheng"), which is a limited liability company established in the PRC, and the ultimate holding company is 浙江恒泰房地產有限公司(literally translated as "Zhejiang Hengtai Real Estate Company Limited", "Zhejiang Hengtai"), which is a limited liability company established in the PRC.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (the "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 "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 for per share data. 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 2011. The financial statements of 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 that 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 new and amended IFRSs and IFRIC interpretations for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IAS 24 (Revised)	Related Party Disclosures
IAS 32 Amendment	Amendment to IAS 32 Financial instruments: Presentation – Classification of Rights issues
IFRIC 14 Amendments	Prepayments of a Minimum Funding Requirement
IFRIC – 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in Improvements to IFRSs 2010, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 32 to the consolidated financial statements.

(b) Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs

There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

(i) IFRS 3 Business Combinations: The amendment clarifies that the amendments of IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(ii) IAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of change in equity.

(iii) IAS 27 Consolidated and Separate Financial Statement: The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

3.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IAS 1 Amendment	Presentation of financial statement – Other Comprehensive Income [3]
IAS 12 Amendment	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets [2]
IAS 19 Amendment	Employee benefits [4]
IAS 27	Separate Financial Statements [4]
IAS 28	Investments in Associate and Joint Ventures [4]
IAS 32 Amendment	Presentation – Offsetting Financial Assets and Liabilities[5]
IFRS 7 Amendment	Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets [1]
IFRS 7 Amendment	Amendments to IFRS 7 Financial Instruments: –Disclosures – Offsetting Financial Assets[4]
IFRS 9 and IFRS 9 Amendment	Financial Instruments [5]
IFRS 10	Consolidated Financial Statement [4]
IFRS 11	Joint Arrangement [4]
IFRS 12	Disclosure of Interests in other entities [4]
IFRS 13	Fair Value Measurement [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 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 two reportable operating segments as follows:

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

(ii) Consulting and testing services segment – provision of fire technology consulting, testing and inspection services (which was commenced during the year upon the acquisition of the subsidiary, Shanghai Liming Fire Testing Co., Limited).

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 from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations 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 the immediate holding company and tax payables as these liabilities are managed on a group basis.

For the year ended 31 December 2010, the Group operated only in one business segment, being the manufacture and sales of fire fighting equipment products in the PRC. Accordingly, no further disclosures by the reportable segments based on business were made in last year.

For the year ended 31 December 2011

	Sales of fire-fighting equipment *RMB'000*	**Consulting and testing services** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales/services provided to external customers	34,687	3,819	38,506
Segments results	1,087	1,056	2,143
Reconciliation:			
Interest income			27
Reversal of impairment loss on loan receivable from former controlling shareholder			11,065
Gain on bargain purchase			861
Gross rental income			790
Fair value gain on investment property			196
Profit before tax			15,082
Segment assets	33,022	4,302	37,324
Unallocated assets			22,150
Total assets			59,474

	Sales of fire-fighting equipment *RMB'000*	**Consulting and testing services** *RMB'000*	**Total** *RMB'000*
Segment liabilities	8,410	286	8,696
Unallocated liabilities			1,849
Total liabilities			10,545
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 RMB4,460,000 (2010: RMB10,205,000) was derived from sales of fire-fighting equipment to a single customer, which is an independent third party, during the year ended 31 December 2011.

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 and provision of fire technology consulting testing and inspection services, net of value added tax, trade discounts and returns during the year.

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

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Sales of fire-fighting equipment	**34,687**	21,362
Consulting and testing service rendered	**3,819**	–
Total revenue	**38,506**	21,362
Other income and Gains		
Interest income	**27**	31
Others	**139**	12
Gross rental income	**790**	185
Sales of scrap	**770**	455
Fair value gain on an investment property	**196**	–
Gain on disposal of items of property, plant and equipment	**52**	49
Payables waived by suppliers	**–**	10
Payable waived by former controlling shareholder	**–**	4,722
Total other income and gains	**1,974**	5,464
Total revenue, other income and gains	**40,480**	26,826

6. PROFIT BEFORE TAX

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

	2011	2010
	RMB'000	*RMB'000*
Cost of goods sold/services provided	**28,728**	19,992
Amortisation of prepaid land lease payments	**3**	16
Depreciation of property, plant and equipment	**1,987**	2,067
Minimum lease payments under operating leases:		
Plant and machinery	**29**	–
Land and buildings	**597**	346
Auditors' remuneration	**488**	423
Write off of property, plant and equipment	**20**	–
Provision for loss on financial guarantee	**–**	190
Staff costs (including directors' and supervisor' remuneration):		
Wages and salaries	**6,031**	3,736
Pension scheme contributions	**728**	619
Social security costs	**179**	312
	6,938	4,667
Reversal of impairment loss on loans receivables from former controlling shareholder	**(11,065)**	–
Reversal of impairment loss on reimbursement receivables for loss on financial guarantees	**–**	(23,940)
Payables waived by former controlling shareholder	**–**	(4,722)
Gain on disposal of items of property, plant and equipment	**(52)**	(49)
Interest income	**(27)**	(31)

7. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	–	803

8. INCOME TAX

No provision for Hong Kong profits tax have been made as the Group had no assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2011	2010
	RMB'000	*RMB'000*
Current – elsewhere	**133**	–
Total tax charge for the year	**133**	–

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 (2010: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company of RMB14,848,000 (2010: RMB22,473,000) and on the number of ordinary shares of 187,430,000 (2010: 187,430,000) in issue during the year.

Diluted earnings per share is not presented for the years ended 31 December 2011 and 2010 as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**8,879**	3,069

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**2,913**	1,613
1 to 2 months	**913**	386
2 to 3 months	**1,454**	241
Over 3 months	**3,599**	829
	8,879	3,069

11. 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:

	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**1,189**	1,362
1 to 2 months	**874**	519
2 to 3 months	**253**	207
Over 3 months	**2,201**	1,689
	4,517	3,777

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

DIVIDEND

The Board does not recommend the payment of any dividends for the year ended 31 December 2011 (2010: Nil).

COMMITMENTS

(1) Operating lease arrangements

(a) As lessor

The Group leases its Investment Properties under operating leases arrangements with the leases negotiated for terms ranging from 3 to 5 years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions.

At 31 December 2011, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**1,560**	500
In the second to fifth years, inclusive	**6,246**	1,573
	7,806	2,073

(b) As lessee

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

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases with its tenant falling due as follows:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**704**	346
In the second to fifth years, inclusive	**3,110**	837
After five years	**1,050**	737
	4,864	1,920

(2) Capital and other commitments

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Total revenue of the Group increased from RMB21,362,000 in the year 2010 to RMB38,506,000 in the year 2011, representing an increase of 80%. The increase was mainly attributable to the effective strategy adopted by the management to cope with changes in the market.

COST OF SALES

For the year ended 31 December 2011, the cost of sales of the Group amounted to approximately RMB28,728,000 (2010: RMB19,992,000), representing a year-on-year increase of 43%. 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 2011, the gross profit of the Group amounted to approximately RMB9,778,000. Marginal profit for the year ended 31 December 2011 increased to approximately 25% when compared with approximately 6.4% for the year ended 31 December 2010. The increase is mainly attributable to the management's cost control of cost of sales.

OTHER INCOME

For the year ended 31 December 2011, the other income of the Company decreased to approximately RMB1,974,000 when compared with approximately RMB5,464,000 for the year ended 31 December 2010. The decrease in other income is mainly attributable to a decrease in non-recurring reversal of payables from RMB10,000 for the year 2010 to RMB Nil for the year 2011, and a decrease in non-recurring reversals of amounts payable to former controlling shareholders from RMB4,722,000 for the year 2010 to RMB Nil for the year 2011.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2011, administrative expenses for the Group amounted to approximately RMB7,753,000, representing a year-on-year increase of approximately 8%. The Directors believe the increase was mainly attributable to the increase in social security costs and relevant document renewal fees.

FINANCE COSTS

For the year ended 31 December 2011, finance costs amounted to approximately RMB Nil (2010: RMB803,000).

PROFIT FOR THE YEAR

For the year ended 31 December 2011, the profit for the year of the Group amounted to approximately RMB14,949,000 (2010: RMB22,473,000), representing a year-on-year decrease of 33%. The decrease in profit was mainly attributable to the decrease in the reversal in the impairment loss.

TAXATION

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

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

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

THE MARKET OF HIGH PRESSURE CYLINDERS

The gas cylinder manufacturing industry in the PRC emerged alongside the rise of the petroleum industry in the 60s and developed gradually in four stages: the stage of exploration in the 60s, the stage of development in the 70s, the stage of advancement from 1980 to 1985, and the stage of relative stability after 1986. Demand from the society grew as public awareness of the product raised, boosting the development of gas cylinder manufacturing industry in the 70s when the number of manufacturers rapidly rose to over a hundred. In the 1980s, the relatively high accident rate spawned from the crude production processes led to the introduction of the CJ 3-1-80 standard LPG cylinders by the State City Construction General Bureau (國家城市建設總局), regulating the design, specifications, types and requirements for major materials of LPG cylinders. In 1986, the GB 5842-86 standard LPG cylinder was introduced by the China State Bureau of Standards (國家標準局), which was designed with reference to the standards of ISO 4706 welded steel cylinders and the standards for cylinders manufacturing in certain advanced industrial countries. The introduction of this new standard promoted professionalized and standardized production among the manufacturers, thereby improving the production technology and achieving effective quality control of products. The sales volume of high pressure seamless cylinders in the PRC surged to 1.9 million in the year 2010. The ownership of seamless cylinders in the world has reached approximately 200 million at present. Given the relatively low price of seamless cylinders in the PRC, the demand of the PRC's seamless cylinders from the international market is expected to increase despite the recent volatility in the international financial market, with the volume escalating at a rate of 50,000 to 100,000 cylinders per year.

THE DOMESTIC FIRE EXTINGUISHER MARKET

The output of fire extinguishers in the PRC from January to November 2010 reached 60.29 million sets, representing a year-on-year growth of 18.9%; whereas the total output in 2009 was 55.24 million sets, up 13.2% as compared with the previous year. As the PRC is still a developing country characterized by relatively abundant labor force, low production cost and plentiful resources, giant groups from around the world have been establishing their production bases in China to manufacture products of fine quality at affordable cost by utilizing local raw materials. Benefiting from the inflow of overseas information on system design and software R&D after the opening up of China, we managed to take a leap forward within a short period of time by drawing on the experience of others in the past few decades. Besides, with the increasing attention attached from the PRC government on the fire-fighting industry, the fire extinguisher industry will experience new opportunities and considerable development prospects.

OUTLOOK

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

FUTURE PLAN

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

LIQUIDITY AND FINANCE

The cash and cash equivalents of the Group decreased from approximately RMB11,770,000 for the year 2010 to RMB6,756,000 for the year 2011. The decrease was mainly attributable to the full repayment of bank borrowings by the Company during the year.

Borrowings and banking facilities

As at 31 December 2010, the Group had short-term borrowings of approximately RMB Nil. The Group has settled all the bank borrowings and facilities for the year.

Gearing ratio

The Group's gearing ratio, which was expressed as a percentage of net liabilities over the sum of net liabilities and shareholders' equity, was 7% (2010: 30%) as at 31 December 2011.

Capital structure and financial resources

As at 31 December 2011, the Group had net asset value of approximately RMB48,929,000 (2010: net assets of RMB17,339,000). The Group's operations and investments are financed principally by internal resources and shareholders' equity.

SIGNIFICANT INVESTMENT HELD

In 2011, the Company acquired 90% equity interest in Shanghai Liming Fire Testing Co., Limited ("Liming") and its office in Shanghai at a cash consideration of RMB1,800,000 and RMB5,000,000 respectively (2010: Nil).

EMPLOYEES

As at 31 December 2011, the Group had 164 employees (2010: 139 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 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 (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 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

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 2011 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 2011.

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

Ascenda Cachet CPA Limited ("Cachet") was engaged as the auditor of the Company for the years ended 31 December 2010 and 2011. A resolution for the reappointment of Cachet 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, 31 March 2012

As at the date of this announcement, the Board comprises Mr. Zhou Jin Hui, Mr. Shen Jian Zhong, Mr. Gong Xu Lin (all being executive Directors), Ms. Wang Xiang, Ms. Chai Xiao Fang(all being non-executive Directors), Mr. Yang Chun Bao, Mr. Wang Guo Zhong, Mr. Zhang Cheng Ying (all being independent non-executive Directors).