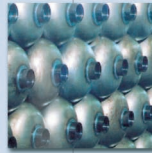
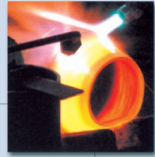




# Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.\* 上海青浦消防器材股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

## 2004 Interim Report



## ***Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Exchange”).***

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. GEM-listed issuers are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”), the Securities and Futures Commission (the “SFC”) regulates Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.. (the “Company”) in relation to the listing of its shares on the Exchange. The SFC and the Exchange take no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## ***Highlights***

- Achieved a turnover of approximately RMB27,592,000 for the six months ended 30th June, 2004, representing an approximately 14% increase as compared with that of the corresponding period in 2003
- Accomplished a net profit of approximately RMB2,917,000 for the six months ended 30th June, 2004
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2004



## Interim Results (Unaudited)

The Board of Directors ("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 30th June, 2004. For the six months ended 30th June, 2004, the unaudited turnover is approximately RMB27,592,000, representing a growth of approximately RMB3,474,000, or approximately 14% in turnover as compared with that of the same period in 2003. The unaudited net profit of the Company for the six months ended 30th June, 2004 is approximately RMB2,917,000, representing a decrease in the results of approximately 25% as compared with the corresponding figure in 2003.

The unaudited condensed financial statements of the Company as of and for the three months and six months ended 30th June, 2004 together with the unaudited comparative figures for the corresponding period in 2003 ("the Relevant Periods") are as follows:

### Unaudited Condensed Income Statement

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	3	15,215	16,182	27,592	24,118
Cost of sales		(10,166)	(9,187)	(20,450)	(14,939)
Gross profit		5,049	6,995	7,142	9,179
Other revenues	3	3	3	6	6
Subsidy income	5	52	52	104	104
Distribution costs		(337)	(648)	(556)	(703)
Administrative expenses		(1,075)	(2,282)	(2,046)	(2,784)
Operating profit	6	3,692	4,120	4,650	5,802
Finance costs	7	(222)	(85)	(362)	(92)
Profit before taxation		3,470	4,035	4,288	5,710
Taxation	8	(1,123)	(1,310)	(1,371)	(1,841)
Profit attributable to shareholders		2,347	2,725	2,917	3,869
Earnings per share (RMB)	10	0.018	0.021	0.022	0.029

**Condensed Balance Sheet**

		Unaudited As at 30th June, 2004 <i>RMB'000</i>	Audited As at 31st December, 2003 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Land use rights		843	852
Property, plant and equipment		11,246	10,724
Deferred tax asset		796	784
		<u>12,885</u>	<u>12,360</u>
<b>Current assets</b>			
Inventories		8,118	8,011
Trade receivables	11	20,498	15,720
Other receivables, deposits and prepayments		8,629	4,366
Amounts due from related parties		2,486	4,758
Amount due from a shareholder		2,661	-
Cash and bank deposits		22,733	4,166
		<u>65,125</u>	<u>37,021</u>
<b>Current liabilities</b>			
Trade payables	12	12,379	9,006
Other payables and accruals		3,859	4,333
Amounts due to related parties		1,046	1,003
Amount due to a shareholder		-	1,753
Current tax liabilities		4,727	3,591
Short-term bank loans		8,550	8,550
		<u>30,561</u>	<u>28,236</u>
<b>Net current assets</b>		<u>34,564</u>	<u>8,785</u>
<b>Total assets less current liabilities</b>		<u>47,449</u>	<u>21,145</u>
<b>Non-current liabilities</b>			
Deferred revenue		934	1,037
<b>Net assets</b>		<u>46,515</u>	<u>20,108</u>
<b>Financed by:</b>			
Share capital	13	18,743	13,187
Reserves	13	27,772	6,921
<b>Shareholders' funds</b>		<u>46,515</u>	<u>20,108</u>



**Unaudited Condensed Statement of Changes in Equity**

	Share capital RMB'000	Capital reserve RMB'000	Statutory common reserve fund RMB'000	Discretionary common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
<b>Six months ended</b>							
<b>30th June, 2004</b>							
Balance at							
1st January, 2004	13,187	(7,729)	1,341	-	1,341	11,968	20,108
Issuance of H-shares on							
30th June, 2004	5,556	26,309	-	-	-	-	31,865
Share issuance expenses	-	(8,375)	-	-	-	-	(8,375)
Net profit for the period	-	-	-	-	-	2,917	2,917
Appropriation	-	104	-	1,500	-	(1,604)	-
<b>Balance at</b>							
<b>30th June, 2004</b>	<b>18,743</b>	<b>10,309</b>	<b>1,341</b>	<b>1,500</b>	<b>1,341</b>	<b>13,281</b>	<b>46,515</b>
	Share capital RMB'000	Capital reserve RMB'000	Statutory common reserve fund RMB'000	Discretionary common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
<b>Six months ended</b>							
<b>30th June, 2003</b>							
Balance at							
1st January, 2003	13,187	(4,461)	786	-	786	7,262	17,560
Share issuance expenses	-	(2,898)	-	-	-	-	(2,898)
Net profit for the period	-	-	-	-	-	3,869	3,869
Appropriation	-	104	-	-	-	(104)	-
<b>Balance at</b>							
<b>30th June, 2003</b>	<b>13,187</b>	<b>(7,255)</b>	<b>786</b>	<b>-</b>	<b>786</b>	<b>11,027</b>	<b>18,531</b>

***Unaudited Condensed Cash Flow Statement***

	<b>Six months ended 30th June,</b>	
	<b>2004</b>	<b>2003</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net cash generated from operating activities	<b>340</b>	296
Net cash (used in)/generated from investing activities	<b>(1,031)</b>	1,617
Net cash generated from financing activities	<b>19,258</b>	650
Net increase in cash and cash equivalents	<b>18,567</b>	2,563
Cash and cash equivalents, at beginning of period	<b>4,166</b>	4,732
Cash and cash equivalents, at end of period	<b>22,733</b>	7,295



Notes:

### 1. GENERAL

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China ("PRC") on 1st December, 2000 and its H shares were listed on the GEM on 30th June, 2004, details of which are set out in the prospectus of the Company dated 18th June, 2004 (the "Prospectus").

### 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 No. 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the Rules Governing the Listing of Securities on GEM. The financial information has been prepared under the historical cost convention.

The condensed financial statements for the three months and six months ended 30th June, 2004 are unaudited, but have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those described in the Accountants' Report set out in Appendix I to the Prospectus.

### 3. TURNOVER AND REVENUES

The Company is principally engaged in the manufacture and sale of fire fighting equipment products and provision of the related processing services. Revenues recognized during the Relevant Periods are as follows:

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover				
Sale of goods	14,743	15,209	26,541	22,113
Provision of processing services	472	973	1,051	2,005
	<u>15,215</u>	<u>16,182</u>	<u>27,592</u>	<u>24,118</u>
Total turnover				
Interest income	3	3	6	6
	<u>3</u>	<u>3</u>	<u>6</u>	<u>6</u>
Total revenues	<u>15,218</u>	<u>16,185</u>	<u>27,598</u>	<u>24,124</u>





#### 4. SEGMENT INFORMATION

The Company has only one business segment, which is the manufacture and sale of fire fighting equipment products and provision of the related processing services. The Directors consider that its primary reporting format of its segment information is its business segment.

All of the Company's assets are located in the PRC. From 1st January, 2003, the Company exports some of its products to overseas customers through Shanghai Huasheng Enterprises (Group) Company Limited, a major shareholder, according to an export agency agreement. An analysis of the Company's turnover by geographical segment, as determined by the location of its customers, is as follows:

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
PRC	7,593	8,014	15,099	11,969
Europe	5,877	8,168	10,558	11,939
Asia	969	—	1,159	210
United States of America	776	—	776	—
Total	<u>15,215</u>	<u>16,182</u>	<u>27,592</u>	<u>24,118</u>

#### 5. SUBSIDY INCOME

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Amortization of government grant received relating to purchase of plant and equipment	<u>52</u>	<u>52</u>	<u>104</u>	<u>104</u>



**6. OPERATING PROFIT**

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Amortization of land use rights	5	4	9	8
Depreciation on property, plant and equipment	297	261	594	522
Loss on disposal of property, plant and equipment	18	-	21	-
Repair and maintenance expenditures	20	24	34	42
Research and development expenditures	30	180	51	256
Amortization of government grant	(52)	(52)	(104)	(104)
Operating lease rentals for land and buildings	62	62	123	123
Provision for impairment of receivables	34	695	34	695
Staff costs	1,903	1,601	3,601	3,006
Auditors' remuneration	75	75	150	150

**7. FINANCE COSTS**

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Interest expenses on short-term bank loans	134	174	264	343
Exchange losses/(gains)	87	(90)	96	(253)
Others	1	1	2	2
	<u>222</u>	<u>85</u>	<u>362</u>	<u>92</u>

**8. TAXATION**

The Company is subject to the enterprise income tax rate of 33% on the assessable profit for the Relevant Periods in accordance with the income tax law of the PRC.

Details of taxation charged for the Relevant Periods are as follows:

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Current taxation	1,135	1,539	1,383	2,070
Deferred tax credit	(12)	(229)	(12)	(229)
Tax charge	<u>1,123</u>	<u>1,310</u>	<u>1,371</u>	<u>1,841</u>

Movements of deferred tax assets for the Relevant Periods are as follows:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30th June,		30th June,	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets, beginning of the period	784	571	784	571
Deferred tax credited to income statement	12	229	12	229
Deferred tax assets, end of the period	<u>796</u>	<u>800</u>	<u>796</u>	<u>800</u>

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30th June,		30th June,	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>3,470</u>	<u>4,035</u>	<u>4,288</u>	<u>5,710</u>
Tax at the applicable tax rate of 33%	1,145	1,332	1,415	1,885
Income that are not subject to tax and expenses that are not deductible for tax purposes:				
– Amortization of government grant relating to purchase of plant and equipment	(17)	(17)	(34)	(34)
– Others	(5)	(5)	(10)	(10)
Tax charge	<u>1,123</u>	<u>1,310</u>	<u>1,371</u>	<u>1,841</u>

## 9. DIVIDEND

No dividend have been paid or declared by the Company during the period ended 30th June, 2004.

## 10. EARNINGS PER SHARE

The calculation of the earnings per share for the six months ended 30th June, 2004 is based on the profit attributable to shareholders of RMB2,917,000 (six months ended 30th June, 2003: RMB3,869,000), and the weighted average number of approximately 132,178,667 ordinary shares (30th June, 2003: 131,870,000) 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.



**11. TRADE RECEIVABLES**

Details of the ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June,</b>	31st December,
	<b>2004</b>	2003
	<b>RMB'000</b>	<b>RMB'000</b>
0 – 30 days	7,348	2,964
31 – 60 days	3,812	4,581
61 – 90 days	3,430	1,615
91 days – one year	5,185	6,238
One year to two years	1,446	1,350
Over two years	1,480	1,141
	<u>22,701</u>	17,889
Provision for impairment of receivables	<u>(2,203)</u>	<u>(2,169)</u>
	<u><u>20,498</u></u>	<u><u>15,720</u></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.

**12. TRADE PAYABLES**

Details of the ageing analysis are as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June,</b>	31st December,
	<b>2004</b>	2003
	<b>RMB'000</b>	<b>RMB'000</b>
0 – 30 days	3,102	2,449
31 – 60 days	2,193	1,420
61 – 90 days	2,295	695
91 days – one year	4,789	4,442
	<u>12,379</u>	<u>9,006</u>



### 13. SHARE CAPITAL

#### (i) Share capital

Pursuant to a shareholders' resolution in October 2000, the Company was converted from a limited liability company into a joint stock limited company on 1st December, 2000. The Company's authorized and issued share capital was RMB13,187,000, divided into 13,187,000 ordinary shares of RMB1 each, and was credited as fully paid by capitalizing all the Company's then paid-in capital and reserves, calculated based on the Company's PRC GAAP financial statements.

Pursuant to the resolution of the Company's shareholders' meeting held on 17th January, 2003 and the approval by the China Securities Regulatory Commission on 19th May, 2003, the Company's share capital has been approved to be sub-divided from 13,187,000 shares of RMB1 each to 131,870,000 shares of RMB0.1 each.

On 30th June, 2004, 55,560,000 H-shares were issued at a price of HK\$0.54 per share.

	Issued and fully paid	
	Number of Shares	Ordinary shares of RMB0.1 each <i>RMB</i>
At 31st December, 2003	131,870,000	13,187,000
Issuance of H-shares on 30th June, 2004	55,560,000	5,560,000
<b>At 30th June, 2004</b>	<b>187,430,000</b>	<b>18,743,000</b>



## (ii) Capital reserve

	Unaudited			Total RMB'000
	Government grant received capitalized as share capital in the PRC GAAP financial statements RMB'000 Note (a)	Reversal of revaluation surplus of property, plant and equipment RMB'000 Note (b)	Capital reserve relating to issuance of H-shares RMB'000	
<b>Period ended 30th June, 2004</b>				
Balance at 1st January, 2004	(1,037)	(1,733)	(4,959)	(7,729)
Issuance of H-shares on 30th June, 2004	-	-	26,309	26,309
Share issuance expenses	-	-	(8,375)	(8,375)
Appropriation from retained earnings	104	-	-	104
Balance at 30th June, 2004	<u>(933)</u>	<u>(1,733)</u>	<u>12,975</u>	<u>10,309</u>
<b>Period ended 30th June, 2003</b>				
Balance at 1st January, 2003	(1,245)	(1,733)	(1,483)	(4,461)
Share issuance expenses	-	-	(2,898)	(2,898)
Appropriation from retained earnings	104	-	-	104
Balance at 30th June, 2003	<u>(1,141)</u>	<u>(1,733)</u>	<u>(4,381)</u>	<u>(7,255)</u>

As mentioned in (i) above, all of the Company's paid-in capital and reserves in 2000 were capitalized as the Company's issued share capital upon conversion into a joint stock limited company. The deficit of approximately RMB3.2 million in capital reserve of the Company as at 1st January, 2002 represents the excess of the net assets of the Company calculated based on its PRC GAAP financial statements over that calculated based on its financial statements prepared under International Financial Reporting Standards ("IFRS") when the conversion took place in 2000. Such excess resulted from:

- (a) The deferred government grant of approximately RMB1,869,000 for purchase of plant and equipment. In accordance with PRC accounting regulations, this government grant was recorded as capital reserve when received, which had been subsequently capitalized as the Company's issued share capital in 2000 as described above. Under IFRS, this government grant was deferred and credited to the income statement on a straight-line basis over the average useful life of the related assets. An amount of approximately RMB208,000, which is equal to the annual amortization of this deferred revenue, is appropriated from its annual net profit after taxation under IFRS to capital reserve as this income is not distributable. As a consequence, a net deficit in capital reserve of approximately RMB1,453,000 arose in the Company's financial statements prepared under IFRS as at 1st January, 2002 in this respect.

- (b) 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.

#### 14. OPERATING LEASE COMMITMENTS

As at 30th June, 2004, the total future minimum lease payments in respect of non-cancelable operating leases for land and buildings are as follows:

	Unaudited As at 30th June,	
	2004 RMB'000	2003 RMB'000
Not later than 1 year	246	246
Later than 1 year and not later than 5 years	82	328
	<u>328</u>	<u>574</u>

### Review of Business Objectives

As the Company's H shares were listed on the GEM on 30th June, 2004, which was only 12 days from the date of the Prospectus, there was no significant actual business progress for the period ended 30th June, 2004 as compared to the information provided in the section headed "Business Objectives" as set out in the Prospectus.

### Financial Review

The Company has achieved a stable growth in the operational results during this interim period. For the six months ended 30th June, 2004, the Company has accomplished a revenue of approximately RMB27,592,000 and a net profit of approximately RMB2,917,000. This represented a growth of 14% in turnover as compared to the same period in the previous year. The improvement in turnover of the Company was due to a combination of the achievement of DOT certificates granted by the States Department of Transport of United States on 30th December, 2003, sales network expansion and successful marketing efforts which provide the Company with good business development and market recognition.



## Liquidity and Financial Resources

The Company generally finance its operations from the internally generated cash flows.

As at 30th June, 2004, the Company had total assets of approximately RMB78,010,000, including bank balances and cash of approximately RMB22,733,000, compared to approximately RMB49,381,000 and RMB4,166,000 as at 31st December, 2003 respectively.

As at 30th June, 2004, the Company's gearing ratio, being the ratio of its total liabilities and total assets, is about 40.37% (2003: 59.28%).

## Foreign Exchange Exposure

Effective from 1st January, 2003, the Company starts selling its products to overseas customers. Most of such export sales contracts are denominated in Euro and United States dollars. The Company does not enter into any foreign exchange forward contracts to hedge its exposure to Euro and United States dollars. However, the Company's management closely monitors the fluctuation in foreign currency exchange rates, and is of the opinion that the Company's net assets denominated in Euro and United States dollars as at 30th June, 2004 would not result in significant exchange loss to the Company.

## Employee Information

As at 30th June, 2004, the Company had rationalized its workforce to 227 employees (30th June, 2003: 223). For the six months ended 30th June, 2004, the total staff costs amounted to approximately RMB3,601,000 (six months ended 30th June, 2003: approximately RMB3,006,000). The Company's remuneration policies are determined on the basis of the performance and experience of individual employees.

## Contingent Liabilities

As at 30th June, 2004, the Company had no material contingent liabilities.

## Capital Structure

The Company's H shares were listed on the GEM (the "Listing") on 30th June, 2004, details of which are set out in the Prospectus of the Company dated 18th June, 2004 issued, in respect of the Company's H shares listed on GEM.

## Material Acquisitions, Disposals and Significant Investments

For the six months ended 30th June, 2004, the Company had made no significant investments and material acquisitions or disposals.





## Future Prospects

The Company has completed the placing and public offer of its H Shares and listed on GEM on 30th June, 2004. The proceeds from the placing and public offer has provided the Company with solid financial support, enabling the Company to further implement its research and development projects and accelerate the launch of new products. Through which the Company may establish a reasonable, diversified and systematic distribution network as soon as possible, as a result of a stable market development of both at the horizontal and vertical levels of its distribution network can be achieved. With the PRC's policy of continuously strengthening and enforcing laws and regulations in respect of fire prevention and fighting, the demand for fire prevention and fighting system will continue to grow in the foreseeable future which will generate business opportunities to the Company. The Board of the Company is confident that, with the Company's expertise, management strengths, sales and marketing abilities, we are able to achieve better results and rapid growth in the coming years.

## ***Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures***

As at 30th June, 2004, the interests and short positions of the Directors including the chief executive 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 Exchange pursuant to the minimum standard of dealings by Directors as referred to in Rule 5.40 of the GEM Listing Rules, were as follows:

### Long positions in shares of the Company

Name of Director	Number of shares beneficially held		Total	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
	Personal	Corporate			
Jiang Zi Qiang		63,300,000 (Note 1)	63,300,000	48.00	33.77
Jiang Zhou	13,190,000		13,190,000	10.00	7.04
Wang Zhi Yu	14,070,000		14,070,000	10.67	7.51
Wang Liang Fa	11,870,000		11,870,000	9.00	6.33

#### Notes:

1. Mr Jiang Zhi Qiang was deemed to be interested in 63,300,000 shares through his controlling interest in Shanghai Huasheng Enterprises (Group) Company Limited.



Save as disclosed above, as at 30th June, 2004, none of the Directors and chief executives 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 30th June, 2004, the following persons (other than the Directors including the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares	Approximate percentage of domestic shares	Approximate percentage of H shares	Approximate percentage of total registered share capital
Shanghai Huasheng Enterprises (Group) Company Limited	Beneficial owner	63,300,000	48.00	–	33.77
Jiang Zi Qiang (Note 1)	Interest of a controlled corporation	63,300,000	48.00	–	33.77

*Note:*

1. Jiang Zi Qiang owns 89% of Shanghai Huasheng Enterprises (Group) Company Limited. Accordingly, Jiang Zi Qiang is deemed by Part XV of the SFO to be interested in the 63,300,000 shares held by Shanghai Huasheng Enterprises (Group) Company Limited.

Save as disclosed above, as at 30th June, 2004, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had 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.



## ***Interest in Competitors***

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

## ***Sponsor's Interests***

As updated and notified by the Company's sponsor, Shenyin Wanguo Capital (H.K.) Limited ("SW Capital"), neither SW Capital nor its directors, employees or associates had any interest in the share capital of the Company as at 30th June, 2004 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules. Pursuant to the agreement dated 17th June, 2004 entered into between the Company and SW Capital, SW Capital has received and will receive a fee for acting as the Company's retained sponsor for the period from 30th June, 2004 to 31st December, 2006 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

## ***Code of Conduct Regarding Securities Transactions by Directors***

During the six months ended 30th June, 2004, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

## ***Board Practices and Procedures***

The Company had complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the financial period.

## ***Audit Committee***

The Company established an audit committee on 10th June, 2004 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.30 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Company. The audit committee consist of three members, namely Mr. Li Long Ling, Mr. Chen Wen Gui and Mr. Yang Chun Bao, all being independent non-executive Directors of the Company.

The audit committee has reviewed with management the unaudited half year report for the period ended 30th June, 2004.



## ***Purchase, Redemption or Sale of Listed Securities***

The Company did not purchase, sell or redeem any listed securities of the Company during the six months ended 30th June, 2004.

By order of the Board  
**Jiang Zi Qiang**  
*Chairman*

Shanghai, The People's Republic of China, 13th August, 2004

As at the date thereof, the Board comprises:

**Jiang Zi Qiang** (*Executive Director*)  
**Wang Liang Fa** (*Executive Director*)  
**Sun Hua Jie** (*Executive Director*)  
**Wang Zhi Yu** (*Non-executive Director*)  
**Jiang Zhou** (*Non-executive Director*)  
**Wu Tian Xin** (*Non-executive Director*)  
**Zhao Shu Guang** (*Non-executive Director*)  
**Chen Zhen Qiang** (*Non-executive Director*)  
**Zhou Wen Jie** (*Non-executive Director*)  
**Li Long Ling** (*Independent non-executive Director*)  
**Chen Wen Gui** (*Independent non-executive Director*)  
**Yang Chun Bao** (*Independent non-executive Director*)  
**Wang Guo Zhong** (*Independent non-executive Director*)

