



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 Third Quarterly 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

- Turnover increased by approximately 13% for the nine months ended 30 September 2004 as compared with the corresponding period in 2003.
- Net profit increased by approximately 7% for the nine months ended 30 September 2004 as compared with the corresponding period in 2003.
- Earnings per share for the nine months ended 30 September 2004 was RMB0.035.



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 and its subsidiaries and its joint ventures (hereafter collectively referred to as the "Company") for the nine months ended 30 September 2004 together with the unaudited comparative figures for the corresponding period in 2003, as follows:

	Notes	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
		2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	3	42,701	37,918	15,109	13,800
Cost of sales		<u>(30,078)</u>	<u>(24,727)</u>	<u>(9,628)</u>	<u>(9,788)</u>
Gross profit		12,623	13,191	5,481	4,012
Other revenues	3	7	10	1	4
Subsidy income	4	156	156	52	52
Distribution costs		(908)	(1,258)	(352)	(555)
Administrative expenses		<u>(3,723)</u>	<u>(4,314)</u>	<u>(1,677)</u>	<u>(1,530)</u>
Operating profit		8,155	7,785	3,505	1,983
Finance costs	5	<u>(398)</u>	<u>(514)</u>	<u>(36)</u>	<u>(421)</u>
Profit before taxation		7,757	7,271	3,469	1,562
Taxation	6	<u>(2,494)</u>	<u>(2,334)</u>	<u>(1,123)</u>	<u>(493)</u>
Profit attributable to shareholders		<u>5,263</u>	<u>4,937</u>	<u>2,346</u>	<u>1,069</u>
Earnings per share (RMB)	7	<u>0.035</u>	<u>0.037</u>	<u>0.013</u>	<u>0.008</u>



Notes:

1. BASIS OF PRESENTATION

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, detail of which are set out in the prospectus of the Company dated 18 June 2004 (the "Prospectus").

2. PRINCIPAL ACCOUNTING POLICIES

The accompanying unaudited results are prepared in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board. 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 2003.

3. TURNOVER

The Company's turnover is derived principally from the sales of fire fighting equipment products and provision of the related processing services.

An analysis of the Company's turnover is as follows:

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover:				
Sale of goods	41,407	35,641	14,866	13,528
Provision of processing services	1,294	2,277	243	272
Total turnover	42,701	37,918	15,109	13,800
Interest income	7	10	1	4
Total revenues	42,708	37,928	15,110	13,804

4. SUBSIDY INCOME

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Amortisation of government grant received relating to purchase of plant and equipment	156	156	52	52



5. FINANCE COSTS

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Interest expenses on bank loans repayable within 5 years	398	517	134	174
Exchange losses/(gains)	(2)	(5)	(98)	247
Others	2	2	-	-
	<u>398</u>	<u>514</u>	<u>36</u>	<u>421</u>

6. TAXATION

The reconciliation of the tax expense of the Company is as follows:

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 nine months ended 30 September		Unaudited three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Current taxation	2,506	2,563	1,123	493
Deferred tax credit	(12)	(229)	0	0
Tax charge	<u>2,494</u>	<u>2,334</u>	<u>1,123</u>	<u>493</u>

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

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Deferred tax assets, beginning of the period	784	571	796	800
Deferred tax credited to income statement	12	229	0	0
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 nine months ended 30 September		Unaudited three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Profit before taxation	<u>7,757</u>	<u>7,271</u>	<u>3,469</u>	<u>1,562</u>
Tax at the applicable tax rate of 33%	2,560	2,399	1,145	515
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	(51)	(51)	(17)	(17)
– Others	<u>(15)</u>	<u>(14)</u>	<u>(5)</u>	<u>(5)</u>
Tax charge	<u>2,494</u>	<u>2,334</u>	<u>1,123</u>	<u>493</u>

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the nine months ended 30 September 2004 was based on the net profit of approximately RMB5,263,000 (2003: RMB4,937,000) divided by the weighted average number of shares issued during the period of 150,595,778 shares (2003: 131,870,000 shares).

The Company had no dilutive potential shares for the nine months ended 30 September 2004 (2003: Nil).

Interim Dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2004 (2003: Nil).



Unaudited Movement of Reserves

There was no movement of reserves for the relevant periods in 2004 and 2003 except those disclosed as below:

	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
Nine months ended							
30 September 2004							
Balance at							
1 January 2004	13,187	(7,729)	1,341	-	1,341	11,968	20,108
Issuance of H-shares on							
30 June 2004	5,556	26,309	-	-	-	-	31,865
Share issuance expenses	-	(9,876)	-	-	-	-	(9,876)
Net profit for the period	-	-	-	-	-	5,263	5,263
Appropriation	-	156	-	1,500	-	(1,656)	-
	<u>18,743</u>	<u>8,860</u>	<u>1,341</u>	<u>1,500</u>	<u>1,341</u>	<u>15,575</u>	<u>47,360</u>
Balance at							
30 September 2004	18,743	8,860	1,341	1,500	1,341	15,575	47,360
	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
Nine months ended							
30 September 2003							
Balance at							
1 January 2003	13,187	(4,461)	786	-	786	7,262	17,560
Share issuance expenses	-	(2,998)	-	-	-	-	(2,998)
Net profit for the period	-	-	-	-	-	4,937	4,937
Appropriation	-	104	-	-	-	(104)	-
	<u>13,187</u>	<u>(7,355)</u>	<u>786</u>	<u>-</u>	<u>786</u>	<u>12,095</u>	<u>19,499</u>
Balance at							
30 September 2003	13,187	(7,355)	786	-	786	12,095	19,499

Business Review

For the nine months ended 30 September 2004, the Company has accomplished a revenue of approximately RMB42,701,000 and a net profit of approximately RMB5,263,000. This represented a growth of 13% and 7% in turnover and net profit respectively as compared to the same period in the previous year. The improvement in turnover and net profit 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 30 December 2003, sales network expansion and successful marketing efforts which provide the Company with good business development and market recognition. During the nine months period, the Company has been trusted by some famous customers, including the International Formula One event just held at Shanghai in September, which used our products in the circuit as part of their fire fighting system.

After receiving the foreign trade licence granted by the Shanghai Foreign Economic Trade Commission on 17 September 2004 in respect of carrying out export sales, the Company can sell directly to overseas customers. Through which the Company has strengthened the reasonable, diversified and systematic distribution network.

The Company has completed the placing and public offer of its H Shares and listed on GEM on 30 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.

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 Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2004, 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	Type of interests	Capacity	Number of shares (Note 2)	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Jiang Zi Qiang	Corporate (Note 1)	Beneficial owner	63,300,000	48%	33.77%
Mr. Jiang Zhou	Personal	Beneficial owner	13,190,000	10%	7.04%
Mr. Wang Zhi Yu	Personal	Beneficial owner	14,070,000	10.67%	7.51%
Mr. Wang Liang Fa	Personal	Beneficial owner	11,870,000	9%	6.33%

Note:

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

Save as disclosed above, as at 30 September 2004, none of the Directors and Supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.



Substantial Shareholders' and Other Persons' Interests and Short Positions Shares, Underlying Shares and Debentures

As at 30 September 2004, the following persons (other than the Directors and Supervisors 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
Mr. Jiang Zi Qiang (Note 1)	Interest of a controlled corporation	63,300,000	48.00	-	33.77

Notes:

1. Mr. 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 30 September 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 30 September 2004 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules. Pursuant to the agreement dated 17 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 30 September 2004 to 31 December 2006 or until the sponsor agreement is terminated upon the terms and conditions set out therein.



Audit Committee

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee on 10 June 2001 according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Society of Accountants. In compliance with Rules 5.29 and 5.33 of the GEM Listing Rules, the authority and responsibility of the audit committee has 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 members are Mr. Li Long Ling, Mr. Chen Wen Gui and Mr. Yang Chun Bao, who are independent non-executive directors of the Company.

Up to the date of this report, one meeting has been conducted by the audit committee in this year. The meeting was held on 12 November 2004 for discussion of the operating results, statements of affairs and accounting policies with respect to the unaudited third quarterly report of the Company for the nine months ended 30 September 2004 and listened to the advice provided by auditors. The audit committee has reviewed the third quarterly report of 2004.

Board Practices and Procedures

The Company has complied with Rules 5.34 to 5.45 to the GEM Listing Rules concerning board practices and procedures throughout the nine months ended 30 September 2004.

Purchase, Sale or Redemption of Securities

During the period ended 30 September 2004, the Company has not purchased, sold or redeemed any of the Company's listed shares.

By Order of the Board
Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.
Jiang Zi Qiang
Chairman

Shanghai, the PRC, 12 November 2004

As at the date hereof, 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*)