



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)



## Interim Report 2005



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*This report, for which the directors of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. 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 RMB34,936,000 for the six months ended 30th June, 2005, representing an approximately 27% increase as compared with that of the corresponding period in 2004
- Accomplished a net profit of approximately RMB642,000 for the six months ended 30th June, 2005
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005



## 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, 2005. For the six months ended 30th June, 2005, the unaudited turnover is approximately RMB34,936,000, representing a growth of approximately RMB7,344,000, or approximately 27% in turnover as compared with that of the same period in 2004. The unaudited net profit of the Company for the six months ended 30th June, 2005 is approximately RMB642,000, representing a decrease in the results of approximately 78% as compared with the corresponding figure in 2004.

The unaudited condensed financial statements of the Company as of and for the three months and six months ended 30th June, 2005 together with the unaudited comparative figures for the corresponding period in 2004 ("the Relevant Periods") are as follows:

## Unaudited Condensed Income Statement

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	3	<b>21,968</b>	15,215	<b>34,936</b>	27,592
Cost of sales		<b>(18,886)</b>	(10,166)	<b>(28,808)</b>	(20,450)
Gross profit		<b>3,082</b>	5,049	<b>6,128</b>	7,142
Other revenues	3	<b>1</b>	3	<b>4</b>	6
Subsidy income	5	<b>52</b>	52	<b>104</b>	104
Distribution costs		<b>(1,158)</b>	(337)	<b>(1,698)</b>	(556)
Administrative expenses		<b>(2,285)</b>	(1,075)	<b>(3,312)</b>	(2,046)
Operating (loss)/profit	6	<b>(308)</b>	3,692	<b>1,226</b>	4,650
Finance costs	7	<b>(195)</b>	(222)	<b>(334)</b>	(362)
(Loss)/profit before taxation		<b>(503)</b>	3,470	<b>892</b>	4,288
Taxation	8	<b>211</b>	(1,123)	<b>(250)</b>	(1,371)
(Loss)/profit attributable to shareholders		<b>(292)</b>	2,347	<b>642</b>	2,917
(Loss)/earnings per share (RMB)	10	<b>(0.002)</b>	0.018	<b>0.003</b>	0.022



## Condensed Balance Sheet

		Unaudited As at 30th June, 2005 <i>RMB'000</i>	Audited As at 31st December, 2004 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Lease premium for land	11	807	816
Property, plant and equipment		11,283	11,001
Purchase deposit	12	-	12,813
Deferred tax asset		777	777
		<b>12,867</b>	25,407
<b>Current assets</b>			
Lease premium for land	11	18	18
Inventories		6,643	7,275
Trade receivables	13	32,062	14,148
Other receivables, deposits and prepayments		14,107	16,670
Amounts due from related companies		3,055	11,189
Cash and bank deposits		16,989	7,074
		<b>72,874</b>	56,374
<b>Current liabilities</b>			
Trade payables	14	12,794	12,146
Other payables and accruals		5,854	5,798
Amounts due to related companies		1,388	884
Amount due to a shareholder		3,264	973
Current tax liabilities		4,758	4,835
Short-term bank loans		8,550	8,550
		<b>36,608</b>	33,186
<b>Net current assets</b>		<b>36,266</b>	23,188
<b>Total assets less current liabilities</b>		<b>49,133</b>	48,595
<b>Non-current liabilities</b>			
Deferred revenue		726	830
<b>Net assets</b>		<b>48,407</b>	47,765
<b>Financed by:</b>			
Share capital	15	18,743	18,743
Reserves	15	29,664	29,022
<b>Shareholders' funds</b>		<b>48,407</b>	47,765



## Unaudited Condensed Statement of Changes in Equity

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory common reserve fund <i>RMB'000</i>	Discretionary common reserve fund <i>RMB'000</i>	Statutory common welfare fund <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended</b>								
<b>30th June, 2005</b>								
Balance at 1st January, 2005	18,743	10,910	(2,563)	1,867	1,500	1,867	15,441	47,765
Net profit for the period	-	-	-	-	-	-	642	642
Appropriation	-	-	104	-	-	-	(104)	-
	<u>18,743</u>	<u>10,910</u>	<u>(2,459)</u>	<u>1,867</u>	<u>1,500</u>	<u>1,867</u>	<u>15,979</u>	<u>48,407</u>
Balance at 30th June, 2005	18,743	10,910	(2,459)	1,867	1,500	1,867	15,979	48,407
<b>Six months ended</b>								
<b>30th June, 2004</b>								
Balance at 1st January, 2004	13,187	(4,959)	(2,770)	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)	-
	<u>18,743</u>	<u>12,975</u>	<u>(2,666)</u>	<u>1,341</u>	<u>1,500</u>	<u>1,341</u>	<u>13,281</u>	<u>46,515</u>
Balance at 30th June, 2004	18,743	12,975	(2,666)	1,341	1,500	1,341	13,281	46,515



## Unaudited Condensed Cash Flow Statement

	<b>Six months ended 30th June,</b>	
	<b>2005</b>	2004
	<b>RMB'000</b>	RMB'000
Net cash (used in)/generated from operating activities	<b>(1,787)</b>	340
Net cash generated from/(used in) investing activities	<b>11,968</b>	(1,031)
Net cash (used in)/generated from financing activities	<b>(266)</b>	19,258
Net increase in cash and cash equivalents	<b>9,915</b>	18,567
Cash and cash equivalents, at beginning of period	<b>7,074</b>	4,166
Cash and cash equivalents, at end of period	<b>16,989</b>	22,733



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. The Company is principally engaged in manufacturing and sale of fire-fighting equipment and pressure cylinders.

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

In the current period, the Company has adopted, for the first time, the following IFRSs issued by the IASB which are effective for the accounting year commencing on or after 1st January, 2005:

IAS 1	:	Presentation of Financial Statements
IAS 2	:	Inventories
IAS 7	:	Cash Flow Statements
IAS 8	:	Accounting policies, Changes in Accounting Estimates and Errors
IAS 10	:	Events after the Balance Sheet Date
IAS 12	:	Income Tax
IAS 14	:	Segment reporting
IAS 16	:	Property, Plant and Equipment
IAS 17	:	Leases
IAS 18	:	Revenue
IAS 19	:	Employee Benefits
IAS 20	:	Accounting for Government Grants and Disclosure of Government Assurances
IAS 21	:	The Effects of Changes in Foreign Exchange Rates
IAS 23	:	Borrowing Costs
IAS 26	:	Accounting and Reporting by Retirement Benefit Plans
IAS 32	:	Financial Instruments: Disclosure and Presentation
IAS 33	:	Earnings per Share
IAS 36	:	Impairment of Assets
IAS 37	:	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	:	Intangible Assets
IAS 39	:	Financial Instruments: Recognition and Measurement

The adoption of these IFRSs have not had any significant impact on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

The condensed financial statements for the three months and six months ended 30th June, 2005 are unaudited, but have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those described in the 2004 annual financial statements.





### 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,	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover				
Sale of goods	<b>21,968</b>	14,743	<b>34,936</b>	26,541
Provision of processing services	-	472	-	1,051
Total turnover	<b>21,968</b>	15,215	<b>34,936</b>	27,592
Interest income	<b>1</b>	3	<b>4</b>	6
Total revenues	<b>21,969</b>	15,218	<b>34,940</b>	27,598

### 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,	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
PRC other than Hong Kong	<b>10,327</b>	7,593	<b>14,596</b>	15,099
Hong Kong	<b>8,553</b>	-	<b>15,098</b>	-
Europe	<b>3,088</b>	5,877	<b>4,891</b>	10,558
Asia other than PRC and Hong Kong	-	969	-	1,159
Others	-	776	<b>351</b>	776
Total	<b>21,968</b>	15,215	<b>34,936</b>	27,592


**5. SUBSIDY INCOME**

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Amortization of government grant received relating to purchase of plant and equipment	<b>52</b>	52	<b>104</b>	104

**6. OPERATING PROFIT**

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Amortization of lease premium for land	<b>4</b>	5	<b>9</b>	9
Depreciation on property, plant and equipment	<b>261</b>	297	<b>515</b>	594
Loss on disposal of property, plant and equipment	<b>-</b>	18	<b>52</b>	21
Repair and maintenance expenditures	<b>24</b>	20	<b>24</b>	34
Research and development expenditures	<b>-</b>	30	<b>-</b>	51
Amortization of government grant	<b>(52)</b>	(52)	<b>(104)</b>	(104)
Operating lease rentals for land and buildings	<b>62</b>	62	<b>123</b>	123
Provision for doubtful debts	<b>-</b>	34	<b>-</b>	34
Staff costs	<b>1,979</b>	1,903	<b>3,376</b>	3,601
Auditors' remuneration	<b>53</b>	75	<b>53</b>	150

**7. FINANCE COSTS**

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expenses on short-term bank loans	<b>129</b>	134	<b>266</b>	264
Exchange losses	<b>65</b>	87	<b>66</b>	96
Others	<b>1</b>	1	<b>2</b>	2
	<b>195</b>	222	<b>334</b>	362

**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,	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Current taxation	<b>(211)</b>	1,135	<b>250</b>	1,383
Deferred tax credit	<b>-</b>	(12)	<b>-</b>	(12)
Tax (credit)/charge	<b>(211)</b>	1,123	<b>250</b>	1,371

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

	Unaudited Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Deferred tax assets, beginning of the period	<b>777</b>	784	<b>777</b>	784
Deferred tax credited to income statement	<b>-</b>	12	<b>-</b>	12
Deferred tax assets, end of the period	<b>777</b>	796	<b>777</b>	796

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 Three months ended 30th June,		Unaudited Six months ended 30th June,	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
(Loss)/profit before taxation	<b>(503)</b>	3,470	<b>892</b>	4,288
Tax at the applicable tax rate of 33%	<b>(167)</b>	1,145	<b>294</b>	1,415
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	<b>(17)</b>	(17)	<b>(34)</b>	(34)
- Others	<b>(27)</b>	(5)	<b>(10)</b>	(10)
Tax (credit)/charge	<b>(211)</b>	1,123	<b>250</b>	1,371



## 9. DIVIDEND

No dividend have been paid or declared by the Company during the period ended 30th June, 2005.

## 10. EARNINGS PER SHARE

The calculation of the earnings per share for the six months ended 30th June, 2005 is based on the profit attributable to shareholders of RMB642,000 (six months ended 30th June, 2004: RMB2,917,000), and the weighted average number of approximately 187,430,000 ordinary shares (30th June, 2004: 132,178,667) 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. LEASE PREMIUM FOR LAND

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

	<b>Unaudited As at 30th June, 2005 RMB'000</b>	Audited As at 31st December, 2004 RMB'000
Net book value at 30th June/31st December	<b>825</b>	834
Amount to be amortised within one year classified as current assets	<b>(18)</b>	(18)
Amount classified as non-current assets	<b>807</b>	816

## 12. PURCHASE DEPOSIT

On 5th July, 2004, the Company entered into a purchase agreement with an independent third party to purchase certain seamless steel pipes in the sum of RMB25,515,000. A deposit of RMB12,813,000 was paid on 22nd July, 2004 in this respect.

On 8th December, 2004, the purchase agreement was terminated and the parties mutually agreed to assign the deposit (the "Assigned Deposit") to six agents of Shanghai High Pressure Container Co., Ltd. (上海高壓容器有限公司) ("SHP"), a company which is 65% owned by Huasheng Enterprises, a substantial shareholder of the Company.

Pursuant to the six agreements entered into between the Company and the six agents during October and November 2004, the Company would acquire certain plant and equipment from SHP with an aggregate contract price of RMB12,813,000 which was settled by the Assigned Deposit.

Pursuant to respective supplemental agreements entered into between the Company and the six agents, the completion of the acquisition is subject to, among other things, the installation and testing of the equipment.

Since the terms of the acquisition had not been fulfilled as at 31st December, 2004, the amount of RMB12,813,000 was classified as non-current asset in the financial statements which would be transferred to property, plant and equipment upon completion of the acquisition.

Based on a valuation report issued by Castores Magi (Hong Kong) Limited dated 19th April, 2005, the fair market value of the equipment was RMB14,700,000 as at 13th April, 2005.



On 27th April, 2005 and 16th June, 2005, further supplemental agreements were entered into between the Company and the six agents whereby the consideration of the plant and equipment had been reduced to RMB10,250,000 and the completion of the acquisition is subject to, among other things, the approval by the shareholders of the Company at an extraordinary general meeting ("EGM") to be convened for this purpose. The six agents had refunded through SHP to the Company the deposit of RMB12,813,000 on 29th April, 2005 pending the result of the EGM to be held. Failing in obtaining the approval by the shareholders, the acquisition agreements will be terminated with no penalty to each party.

### 13. TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	<b>Unaudited As at 30th June, 2005 RMB'000</b>	Audited As at 31st December, 2004 RMB'000
0 – 30 days	7,767	1,158
31 – 60 days	9,569	1,403
61 – 90 days	5,908	–
91 days – one year	7,996	10,395
One year to two years	2,264	966
Over two years	66	1,734
	<b>33,570</b>	15,656
Provision for doubtful debts	<b>(1,508)</b>	(1,508)
	<b>32,062</b>	14,148

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.

### 14. TRADE PAYABLES

Details of the ageing analysis are as follows:

	<b>Unaudited As at 30th June, 2005 RMB'000</b>	Audited As at 31st December, 2004 RMB'000
0 – 30 days	5,302	3,701
31 – 60 days	1,898	2,740
61 – 90 days	1,797	993
91 days – one year	3,051	3,713
Over one year	746	999
	<b>12,794</b>	12,146


**15. SHARE CAPITAL**
**(i) Share capital**

	<b>Number of Shares</b>	<b>Issued and fully paid Ordinary shares of RMB0.1 each</b>
		<i>RMB</i>
At 30th June, 2005 and 31st December, 2004	187,430,000	18,743,000

**(ii) Capital reserve**

	<b>Unaudited</b>		
	<b>Government grant received capitalized as share capital in the PRC GAAP financial statements</b>	<b>Reversal of revaluation surplus of property, plant and equipment</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note (a)</i>	<i>Note (b)</i>	
<b>Period ended 30th June, 2005</b>			
Balance at 1st January, 2005	<b>(830)</b>	<b>(1,733)</b>	<b>(2,563)</b>
Appropriation from retained earnings	<b>104</b>	<b>-</b>	<b>104</b>
Balance at 30th June, 2005	<b>(726)</b>	<b>(1,733)</b>	<b>(2,459)</b>
<b>Period ended 30th June, 2004</b>			
Balance at 1st January, 2004	(1,037)	(1,733)	(2,770)
Appropriation from retained earnings	104	-	104
Balance at 30th June, 2004	(933)	(1,733)	(2,666)

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.

## 16. OPERATING LEASE COMMITMENTS

As at 30th June, 2005, the total future minimum lease payments in respect of non-cancelable operating leases for land and buildings are as follows:

	<b>Unaudited</b>	
	<b>As at 30th June,</b>	
	<b>2005</b>	2004
	<b>RMB'000</b>	RMB'000
Not later than 1 year	<b>82</b>	246
Later than 1 year and not later than 5 years	<b>-</b>	82
	<b>82</b>	328

## 17. COMPARATIVE FIGURES

With the adoption of IAS 17 "Leases", the comparative figures of the lease premium for land have been re-stated as to conform with current period's presentation.

## Review of Business Objectives

### Comparison of Business Objectives with Actual Business Progress

To attain our long-term business goal, the Group has set out implementation plans on pages 90 to 92 of the prospectus of the Company dated 18th June, 2004, for the six months ended 30th June, 2005. The actual progress of these plans over the review period is discussed below:

#### *Development of new products*

#### **Alloy steel fire extinguisher cylinders with capacity from 10L to 20L**

##### **Expected project progress**

Modify the alloy steel fire extinguisher cylinders with capacities from 10L to 20L.

##### **Actual project progress**

Agreed to purchase the additional production facilities from Shanghai High Pressure Container Co., Ltd. (上海高壓容器有限公司) ("SHP"), subject to the approval of the independent Shareholders of the Company at an extraordinary general meeting of the Company ("EGM") because SHP is a connected person and the entering into the purchase agreement with SHP constituted a connected transaction.



### Auto fire extinguishing system

#### Expected project progress

Complete research and development, procure production facilities and commence trial production.

#### Actual project progress

Research and development commenced in December 2004 and is still in progress.

### Market expansion and penetration

#### Expected project progress

Expand the U.S. market for the sale of other cylinders.

#### Actual project progress

The management has made a business trip to the U.S. including Florida, in November 2004.

Explore Philippines market for the sale of fire fighting equipment.

Not yet commenced.

### Expansion of production capacity

#### Expected project progress

Enhance welding and lathing technology.

#### Actual project progress

Agreed to purchase the additional production facilities from SHP, subject to the approval of the independent Shareholders of the Company at an EGM because SHP is a connected person and the entering into the purchase agreement with SHP constituted a connected transaction. Enhancement of welding and lathing technology will be commenced after the above transactions is completed.

Acquire transformer and computer system.

Agreed to purchase the additional production facilities from SHP, subject to the approval of the independent Shareholders of the Company at an EGM because SHP is a connected person and the entering into the purchase agreement with SHP constituted a connected transaction. Acquisition of transformer and computer system will be commenced after the above transactions is completed.





## Use of Proceeds

On 30th June, 2004, the Company was successfully listed on the GEM of the Stock Exchange, the Company received listing proceeds (net of listing expenses directly paid out from the listing proceeds) of approximately RMB21.4 million.

On 5th July, 2004, the Company entered into a purchase agreement with an independent third party to purchase certain seamless steel pipes in the sum of RMB25,515,000. A deposit of approximately RMB12.8 million was paid on 22nd July, 2004 in this respect. On 8th December, 2004, the purchase agreement was terminated and the relevant parties agreed to assign the deposit to SHP from which the Company agreed to purchase pressure cylinders production equipment. In view of that (1) SHP is a connected person and the entering into of the purchase agreement between the Company and SHP constituted a connected transaction; and (2) completion of this purchase agreement is subject to the approval of the independent shareholders of the Company at an EGM, the RMB12.8 million was refunded to the Company on 29th April, 2005.

During the year ended 31st December, 2004, RMB5.7 million was used for general working capital and raw materials to expand the production capacity and the balance was approximately RMB15.7 million as at 30th June, 2005.

As at 30th June, 2005, the Company had approximately RMB15.7 million unused net proceeds of which approximate RMB10.3 million will be used to purchase pressure cylinders production equipment from SHP if such transaction is approved at the EGM.

## Financial Review

The Company has achieved a stable growth in the operational results during this interim period. For the six months ended 30th June, 2005, the Company has accomplished a revenue of approximately RMB34,936,000 and a net profit of approximately RMB642,000. This represented a growth of 27% in turnover as compared to the same period in the previous year. The improvement in turnover of the Company was mainly due to the growing demand for fire fighting equipments and pressure cylinders, particular outside the PRC.

## Liquidity and Financial Resources

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

As at 30th June, 2005, the Company had total assets of approximately RMB85,741,000, including bank balances and cash of approximately RMB16,989,000, compared to approximately RMB81,781,000 and RMB7,074,000 as at 31st December, 2004 respectively.

As at 30th June, 2005, the Company's gearing ratio, being the ratio of its total liabilities and total assets, is about 43.54% (2004: 40.37%).



## 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, 2005 would not result in significant exchange loss to the Company.

## Employee Information

As at 30th June, 2005, the Company had rationalized its workforce to 224 employees (30th June, 2004: 227). For the six months ended 30th June, 2005, the total staff costs amounted to approximately RMB3,376,000 (six months ended 30th June, 2004: approximately RMB3,601,000). The Company's remuneration policies are determined on the basis of the performance and experience of individual employees.

## Contingent Liabilities

As at 30th June, 2005, 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

Save as the proposed purchase of pressure cylinders production equipment from SHP as disclosed in the paragraph "Use of Proceeds" on Page 15, the Company had made no significant investments and material acquisitions or disposals for the six months ended 30th June, 2005.

## Future Prospects

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 Company is planning to expand its annual production capacity for fire extinguishers from approximately 600,000 units to approximately 2,100,000 units and, for fire extinguisher cylinders and other cylinders from approximately 740,000 units to approximately 2,500,000 units for the year ending 31st December, 2006. 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. The Company will become a major enterprise in the manufacture and sale of fire fighting equipment in the PRC and worldwide.



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

As at 30th June, 2005, 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 <i>(Note 1)</i>	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 Zi 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, 2005, 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, 2005, 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 ( <i>Note 1</i> )	Interest of a controlled corporation	63,300,000	48.00	-	33.77

*Note:*

- 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, 2005, 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, 2005 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, 2005 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, 2005, 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.

## Compliance with rules 5.48 to 5.67 of the gem listing rules

The Company has adopted a code of conduct regarding Directors' securities transactions on term no less exacting than the required standard dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rule throughout the period ended 30th June, 2005, Having made specific enquiry of all Directors, the Directors have complied with such coded of conduct and the required standard of dealing throughout the period 30th June, 2005.

## Compliance with code on corporate governance practices

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

## Audit Committee

The Company established an audit committee on 10th June, 2004 with written terms of reference in compliance with the relevant 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, 2005.



## 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, 2005.

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

Shanghai, the PRC, 11th August, 2005

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*)