



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)



## Third Quarterly Report 2005



\*For identification purpose

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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

- Turnover increased by approximately 11% for the nine months ended 30 September 2005 as compared with the corresponding period in 2004.
- Net profit decreased by approximately 85% for the nine months ended 30 September 2005 as compared with the corresponding period in 2004.
- Earnings per share for the nine months ended 30 September 2005 was RMB0.004.



## Quarterly Results (Unaudited)

The Board of Directors (the "Board") of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") is pleased to announce the unaudited results of the Company for the nine months ended 30 September 2005 together with the unaudited comparative figures for the corresponding period in 2004, as follows:

	Notes	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	3	<b>47,496</b>	42,701	<b>12,560</b>	15,109
Cost of sales		<b>(39,665)</b>	(30,078)	<b>(10,857)</b>	(9,628)
Gross profit		<b>7,831</b>	12,623	<b>1,703</b>	5,481
Other revenues	3	<b>5</b>	7	<b>1</b>	1
Subsidy income	4	<b>156</b>	156	<b>52</b>	52
Distribution costs		<b>(2,302)</b>	(908)	<b>(604)</b>	(352)
Administrative expenses		<b>(3,491)</b>	(3,723)	<b>(179)</b>	(1,677)
Operating profit		<b>2,199</b>	8,155	<b>973</b>	3,505
Finance costs	5	<b>(1,124)</b>	(398)	<b>(790)</b>	(36)
Profit before taxation		<b>1,075</b>	7,757	<b>183</b>	3,469
Taxation	6	<b>(289)</b>	(2,494)	<b>(39)</b>	(1,123)
Profit attributable to shareholders		<b>786</b>	5,263	<b>144</b>	2,346
Earnings per share (RMB)	7	<b>0.004</b>	0.035	<b>0.001</b>	0.013

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**

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 2005		Unaudited three months ended 30 September 2005	
	RMB'000	2004 RMB'000	RMB'000	2004 RMB'000
Turnover:				
Sale of goods	<b>47,496</b>	41,407	<b>12,560</b>	14,866
Provision of processing services	-	1,294	-	243
Total turnover	<b>47,496</b>	42,701	<b>12,560</b>	15,109
Interest income	<b>5</b>	7	<b>1</b>	1
Total revenues	<b>47,501</b>	42,708	<b>12,561</b>	15,110

**4. SUBSIDY INCOME**

	Unaudited nine months ended 30 September 2005		Unaudited three months ended 30 September 2005	
	RMB'000	2004 RMB'000	RMB'000	2004 RMB'000
Amortisation of government grant received relating to purchase of plant and equipment	<b>156</b>	156	<b>52</b>	52

**5. FINANCE COSTS**

	Unaudited nine months ended 30 September 2005		Unaudited three months ended 30 September 2005	
	RMB'000	2004 RMB'000	RMB'000	2004 RMB'000
Interest expenses on bank loans repayable within 5 years	<b>427</b>	398	<b>161</b>	134
Exchange losses/(gains)	<b>693</b>	(2)	<b>627</b>	(98)
Others	<b>4</b>	2	<b>2</b>	-
	<b>1,124</b>	398	<b>790</b>	36

**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	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Current taxation	221	2,506	(29)	1,123
Deferred tax charge/(credit)	68	(12)	68	-
Tax charge	<u>289</u>	<u>2,494</u>	<u>39</u>	<u>1,123</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	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Deferred tax assets, beginning of the period	777	784	777	796
Deferred tax (charged)/credited to income statement	(68)	12	(68)	-
Deferred tax assets, end of the period	<u>709</u>	<u>796</u>	<u>709</u>	<u>796</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	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Profit before taxation	1,075	7,757	183	3,469
Tax at the applicable tax rate of 33%	355	2,560	61	1,145
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	(15)	(15)	(5)	(5)
Tax charge	<u>289</u>	<u>2,494</u>	<u>39</u>	<u>1,123</u>

**7. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the nine months ended 30 September 2005 was based on the net profit of approximately RMB786,000 (2004: RMB5,263,000) divided by the weighted average number of shares issued during the period of 187,430,000 shares (2004: 150,595,778 shares).

The Company had no dilutive potential shares for the nine months ended 30 September 2005 (2004: Nil).

**Interim Dividends**

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (2004: Nil).

**Unaudited Movement of Reserves**

There was no movement of reserves for the relevant periods in 2005 and 2004 except those disclosed as below:

	Share capital RMB'000	Share premium 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>Nine months ended 30 September 2004</b>								
Balance at 1 January 2004	13,187	(4,959)	(2,770)	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)	-
Balance at 30 September 2004	<u>18,743</u>	<u>11,474</u>	<u>(2,614)</u>	<u>1,341</u>	<u>1,500</u>	<u>1,341</u>	<u>15,575</u>	<u>47,360</u>
<b>Nine months ended 30 September 2005</b>								
Balance at 1 January 2005	<b>18,743</b>	<b>10,910</b>	<b>(2,563)</b>	<b>1,867</b>	<b>1,500</b>	<b>1,867</b>	<b>15,441</b>	<b>47,765</b>
Net profit for the period	-	-	-	-	-	-	786	786
Appropriation	-	-	156	-	-	-	(156)	-
Balance at 30 September 2005	<u>18,743</u>	<u>10,910</u>	<u>(2,407)</u>	<u>1,867</u>	<u>1,500</u>	<u>1,867</u>	<u>16,077</u>	<u>48,551</u>



## Business Review

For the nine months ended 30 September 2005, the Company has accomplished a revenue of approximately RMB47,496,000 and a net profit of approximately RMB786,000. This represented a growth of 11% and a decreased of 85% in turnover and net profit respectively 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 30 December 2003, sales network expansion and successful marketing efforts which provide the Company with good business development and market recognition.

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 31 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 Supervisors' interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2005, 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 2005, 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 2005, 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Approximate percentage of domestic shares</b>	<b>Approximate percentage of H shares</b>	<b>Approximate percentage of total registered share capital</b>
Shanghai Huasheng Enterprises (Group) Company Limited	Beneficial owner	63,300,000	48.00	-	33.77
Mr. Jiang Zi Qiang ( <i>Note 1</i> )	Interest of a controlled corporation	63,300,000	48.00	-	33.77

*Note:*

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 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 30 September 2005 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 June 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.

The audit committee has reviewed with management the unaudited third quarterly report for the nine month ended 30 September 2005.

## 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 2005.



## Purchase, Sale or Redemption of Securities

During the period ended 30 September 2005, 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, 10 November 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*)