Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*

上海青浦消防器材股份有限公司

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

Stock Code : 8115

Annual Report 2005

*For identification purpose

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. 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 Stock Exchange. Listed companies 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.

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.

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CORPORATE INFORMATION

STATUTORY ADDRESS

No.1988, Jihe Road
Hua Xin Town
Qingpu District
Shanghai
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 709, 7th Floor
Harbour Crystal Centre
100 Granville Road
Tsimshatsui East
Hong Kong

COMPLIANCE OFFICER

Mr. Wang Liang Fa

COMPANY SECRETARY

Mr. Chan Chi Wai, Benny, *CPA*

AUTHORISED REPRESENTATIVES

Mr. Wang Liang Fa
Mr. Chan Chi Wai, Benny, *CPA*

QUALIFIED ACCOUNTANT

Mr. Chan Chi Wai, Benny, *CPA*

MEMBERS OF THE AUDIT COMMITTEE

Mr. Li Long Ling
Mr. Chen Wen Gui
Mr. Yang Chun Bao

H SHARE SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

CCIF CPA Limited and
Cachet Certified Public Accountants Limited

PRINCIPAL BANKERS

China Agricultural Bank
(中國農業銀行)

China Construction Bank
(中國建設銀行)

Shanghai Municipality Qingpu District Zhonggu Village Credit Cooperation
(上海市青浦區重固農村信用合作社)

Our plans are to focus on the development of new products with the latest technology applications and to further expand and penetrate into the PRC and Europe markets and expansion in the United States and the Asia markets. To fulfill our plans, we have to expand the production capacity of the Company.

RESULTS FOR THE YEAR

For the year ended 31 December 2005, the Company reported total revenue of RMB66,164,000 and loss attributable to shareholders of RMB9,912,000. The Company's revenue was derived principally from its sale of fire extinguishers, fire extinguisher cylinders and pressure cylinders in the PRC other than Hong Kong and to overseas (inclusive of Hong Kong), with each accounting for approximately 56% and 44% respectively of the Company's total revenue for the year ended 31 December 2005.

LOCAL SALES

Revenue from local sales decreased by RMB3 million from RMB30 million in 2004 to RMB27 million in 2005. The Company has failed to secure more local customers after our steady supply to some famous local customers in the year 2004 because concentration was put on export sales.

EXPORT SALES

Revenue from export sales increased by RMB13 million from RMB26 million in 2004 to RMB39 million in 2005. The Company has started export sales without using Shanghai Huasheng Enterprise (Group) Company Limited as export agent since September 2004 and has been doing all export sales without using Shanghai Huasheng Enterprise (Group) Company Limited as export agent since January 2006.

PROSPECT

With the PRC's policy of continuously strengthening and enforcing laws and regulations in respect of fire fighting, the demand for fire prevention and fighting system will continue to grow in the foreseeable future. In addition, the Company will also focus on expanding into the fire extinguisher cylinder markets in the United States and European countries and fire-fighting equipment markets in other Asian countries. The production of alloy steel fire extinguisher cylinders with capacities of between 10L and 20L have been in full force since the year 2006. Therefore, the product range of the Company expanded significantly and hence the customer base.

FUTURE PLANS

To cope with the increasing demand for fire fighting equipment, 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 Company will also expect the commencement of production of auto fire extinguishing system as early as in the year of 2006.

CHAIRMAN'S STATEMENT

LONG TERM STRATEGY

We believe that the Company, with its experienced research team and quality products, will be able to enhance its competitive edge. The Company will become a major enterprise in the manufacturing and sale of fire fighting equipment in the PRC and worldwide.

OUR PEOPLE

The success of the Company is dependent on our experienced and professional staff. The Board thanks our employees for their invaluable contributions to the business over the past year and counts on their valuable contributions for the continuing success of our new business in the future.

DIRECTORS

My thanks go to the Audit Committee for the painstaking and professional work they have done during the year. I would also like to express my sincere appreciation and thanks to my fellow directors for their support and contributions towards the performance of the Company.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2005, the Company recorded a turnover of approximately RMB66,164,000 (2004: RMB56,050,000), representing an increase of approximately 18.0% over the previous year. This significant increase in the Company's turnover is mainly attributable to the growing demand for the fire fighting equipment and pressure cylinders.

Cost of sales

For the year ended 31 December 2005, the cost of sales for the Company amounted to approximately RMB58,696,000 (2004: RMB40,276,000), representing an increase of approximately 45.7% when compared with the previous year. The cost of sales of the Company mainly include the raw materials, particularly the steel pipes, and labour costs.

Gross profit

For the year ended 31 December 2005, the Company achieved an overall gross profit of approximately RMB7,468,000. The gross profit margin ratio decreased to approximately 11.3% for the year ended 31 December 2005 from approximately 28.1% for the year ended 31 December 2004. The main reasons for this result were the rising steel price and change of products mix during the year when compared to the previous year.

Other revenue

Other revenue decreased from approximately RMB1,868,000 for the year ended 31 December 2004 to approximately RMB400,000 for the year ended 31 December 2005. The decrease was mainly due to the Company did not have non-recurring of (i) the write back of provision for doubtful debts; (ii) foreign exchange gain when compared with 2004.

Distribution costs

For the year ended 31 December 2005, the Company incurred distribution costs of approximately RMB4,401,000, representing an increase of approximately 267.9% against the previous year. The increase was mainly resulted from the increase in the export sales and increase in the price of local transportation.

Administrative expenses

For the year ended 31 December 2005, the Company's administrative expenses amounted to approximately RMB16,497,000, representing an increase of approximately 145.1% over the previous year. The Directors attribute the increase mainly to compliance costs for listing in Hong Kong and the increase in provision for doubtful debts for the year ended 31 December 2005.

Finance costs

Finance costs of approximately RMB577,000 represented the interest expenses incurred on bank loans for the year ended 31 December 2005.

Net loss

For the year ended 31 December 2005, the Company recorded a net loss approximately RMB9,912,000 (2004: net profit RMB6,232,000). It was resulting from the continuous increase in the price of steel pipes and other raw materials, and the increase for doubtful debts for the year ended 31 December 2005.

FINANCIAL REVIEW *(Continued)*

Taxation

Pursuant to the relevant PRC tax regulations, High and New Technology Enterprises ("HNTE") operating within a designated High and New Technology Development Zone ("HNTDZ") are entitled to a reduced Enterprise Income Tax ("EIT") rate of 15%. The certification as a HNTE is subject to an annual review by the relevant government bodies.

The Company is subject to the Income Tax Law of the PRC and the normal EIT rate applicable is 33%. As the Company is recognised as a HNTE and is operating and registered in the designated HNTDZ, it is entitled to a reduced EIT rate of 15%. Accordingly, the Company is subject to EIT at a rate of 15%.

Use of listing proceeds

On 30 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.

During the year ended 31 December 2005, RMB10,300,000 was paid for the purchase of new production facilities for alloy steel cylinders with capacity between 10L and 20L. RMB2,600,000 was paid for research and development and procurement of production facilities for auto fire extinguishing system. RMB2,600,000 was paid for the expansion of distribution network in the PRC and overseas and for purchase of DOT testing equipment.

PROSPECT

Future plans

To cope with the increasing demand for fire fighting equipment, 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 Company will also confirm the commencement of production of auto fire extinguishing system as early as in the year 2006.

Long term strategy

We believe that the Company, with its experienced research team, quality and expanded production capacity, will be able to enhance its competitive edge. The Company will become a major enterprise in the manufacturing and sale of fire fighting equipment in the PRC and worldwide.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2005, the Company did not have any significant investment.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 31 December 2005, the Company has net current assets of approximately RMB15,067,000. Current assets as at that date mainly comprised amounts due from related companies, prepayments, deposits and accounts receivables of approximately RMB30,121,000, inventories of approximately RMB5,724,000 and cash and cash equivalents of approximately RMB790,000. Current liabilities mainly comprised trade payables of approximately RMB15,728,000, other payables and accrued charges of approximately RMB3,361,000, and short-term bank loans of approximately RMB8,550,000. The decrease in net current assets from RMB23,170,000 in 2004 to RMB15,067,000 in 2005 was mainly due to the operation loss of the Company.

Liquidity

As at 31 December 2005, the cash and cash equivalents of the Company decreased from approximately RMB7,074,000 in 2004 to RMB790,000 in 2005. The currencies held are mainly in Renminbi. Net cash used in operations amounted to RMB5,681,000. Net cash used in investing activities amounted to RMB31,000. These were the main use of funds of the Company for the year ended 31 December 2005.

Borrowings and banking facilities

As at 31 December 2005, the Company had short-term borrowings of approximately RMB8,550,000 (2004: RMB8,550,000). Short-term borrowings of RMB5,550,000 were secured by certain of the Company's property, plant and equipment together with land use rights.

Gearing ratio

The Company's gearing ratio as at 31 December 2005 was 12.57% (2004: 10.5%), which was expressed as a percentage of the total bank borrowings over the total assets.

Capital structure and financial resources

As at 31 December 2005, the Company had net assets of approximately RMB37,853,000. The Company's operations and investments are financed principally by internal resources, bank borrowings and shareholders' equity.

Foreign exchange risk

Effective from 1 January 2003, the Company has been selling its products to overseas customers. Most of the Company's export sales contracts are denominated in Euro or 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 or United States dollars at 31 December 2005 would not result in significant exchange loss to the Company.

EMPLOYEES AND REMUNERATION POLICIES

An analysis of employees by their duties as at each of the two years ended 31 December 2005 and 31 December 2004 are set out below:

Functions

	Headcount for the year ended 31 December	
	2005	2004
Research and development	**21**	21
Production and engineering	**145**	145
Quality control	**17**	17
Sales and marketing	**18**	18
Human resources	**2**	2
Accounts and finance	**6**	6
Administration	**10**	10
Procurement	**5**	5
Part-time employees	**129**	162
	353	386

As at 31 December 2005, the Company had 353 employees (2004: 386 employees). Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme.

Total staff costs paid during the year was approximately RMB7,022,000 (2004: RMB7,204,000).

Under relevant local government regulations, the Company is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Company has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Company has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Company has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Company's relationship with its employees to be good.

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 18 June 2004, for the year ended 31 December 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	Actual project progress
Modify the product	Products are modified according to customers' needs.

Auto fire extinguishing system

Expected project progress	Actual project progress
Complete research and development	A local specialist has been hired to assist the research and development and to be completed in first half of 2006.
Procure production facilities	A local specialist has been hired to assist in the procurement process.
Commence trial production	To be started as early as in the year 2006.
Commence production	To be started as early as in the year 2006.

MARKET EXPANSION AND PENETRATION

Expected project progress	Actual project progress
Expand into the U.S. market such as New York, Seattle, and Detroit, for the sale of other cylinders.	An experienced export agent has been employed to start the project.
Explore, Philippines market and Malaysia market for the sale of fire fighting equipment.	An experienced export agent has been employed to start the project.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

EXPANSION OF PRODUCTION CAPACITY

Expected project progress	**Actual project progress**
Enhance welding and lathing technology	The research and development team has been working on the technology and some trial run have been done.
Acquire transformer and Computer System	Searching for the right products and suppliers.
Enhance quality control mechanism	Trial run of new quality control mechanism has been done.
Acquire additional extruder and heating facilities	Searching for the right products and suppliers.

EXECUTIVE DIRECTORS

Mr. Jiang Zi Qiang (蔣自強), aged 60, is the Chairman of the Company. Mr. Jiang is one of the standing members of Shanghai Qingpu Politics Committee (上海青浦區政協委員) and the deputy chairman of the Chamber of Commerce in Hua Xin Town (華新鎮商會副會長). Mr. Jiang is also the general manager of Shanghai Huasheng Meticulous Chemical Company Limited (上海華盛精細化工有限公司) since 1992, and the chairman and general manager of Huasheng Enterprises and Shanghai Hua Xin Aerosol Company Limited (上海華新氣霧劑有限公司) since 1997. In 1997, Mr. Jiang was recognised by Shanghai Excellent Enterprise and Entrepreneur Assessment Committee (上海市優秀企業、優秀企業經營者評選委員會) as excellent entrepreneur for the years 1996 and 1997. Mr. Jiang was appointed as an executive Director and the Chairman of the Company on 18 October 2000. Mr. Jiang is the father of Jiang Zhou.

Mr. Wang Liang Fa (王良發), aged 55, graduated from Shanghai Jiaotong University (上海交通大學) with a bachelor degree in economics and finance in September 1985. Mr. Wang has many years of working experience in the research, product development and production management in the field of electronics. Mr. Wang worked as a supervisor of production department, factory manager and general manager of product development department in General Electric (Shanghai) Limited (通用電氣(上海)傳動公司) from 1993 to 1997. Mr. Wang joined Shanghai Qingpu as general manager in 1998 responsible for all the administrative affairs. Mr. Wang was appointed as an executive Director on 18 October 2000.

Mr. Sun Hua Jie (孫華杰), aged 50, has extensive working experience in the fire fighting industry. Mr. Sun joined Qingpu Factory in 1973 responsible for the production operation and was subsequently promoted to factory manager responsible for the daily operation of production lines. Mr. Sun was appointed as an executive Director and deputy general manager of the Company on 18 October 2000.

NON-EXECUTIVE DIRECTORS

Mr. Wang Zhi Yu (王志裕), aged 48, was the deputy general manager of Shanghai Huasheng Meticulous Chemical Company Limited (上海華盛精細化工有限公司) responsible for sales and marketing from 1992 to 1996. Mr. Wang has been the deputy general manager of Huasheng Enterprises since 1997 responsible for its daily operation. He was appointed as a non-executive Director in October 2000.

Mr. Jiang Zhou (蔣洲), aged 30, graduated from Shanghai University (上海大學) in July 1995. Mr. Jiang was the deputy general manager of Shanghai Huasheng Meticulous Chemical Company Limited (上海華盛精細化工有限公司) responsible for sales and marketing. Mr. Jiang is the son of Jiang Zi Qiang. Mr. Jiang was appointed as a non-executive Director in October 2000.

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Wu Tian Xin (吳天新), aged 44, graduated from Shanghai Jiaotong University (上海交通大學) with a doctorate degree in engineering in November 1993. Mr. Wu possesses substantial and extensive working experience in the field of finance. Mr. Wu held senior positions in PRC reputable institutions including Shanghai Lan Tian Investment Company (上海藍天投資公司) as an investment manager from 1994 to 1995 and manager of financial planning department from 1995 to 1996 and a general manager in securities management headquarter of Jinhua Trust Investment Company Limited (金華信託投資股份有限公司證券總部) from 1997 to 2000. Mr. Wu worked in Beijing Energetic Technology Company Limited (北京神霧熱能技術有限公司) as a vice general manager, and also worked in Zhe Jiang Danxian Ocean Technology Company Limited (浙江舟山海洋科技有限公司) since 2002. Mr. Wu is the general manager of Shanghai APEX and was appointed as a non-executive Director in October 2000.

Mr. Zhao Shu Guang (趙曙光), aged 52, worked in Nanjing Military Office (南京軍區艦務) from 1979 to 1989 and Shanghai Gubei Economic Development Company (上海古北經濟發展總公司) from 1989 to 1997, and has extensive working experience in military product design, research and development. Mr. Zhao was awarded the Second Class Award of Militarily Technological Achievement (軍隊科技進步二等獎) in February 1987 and December 1993 and the Second Class Award of State Technological Achievement (國家科技進步二等獎) in July 1987. Mr. Zhao was appointed as a non-executive Director in October 2000.

Mr. Chen Zhen Qiang (陳振強), aged 49, is the managing director of Fuzhou Tung Shing. Before joining the Company, Mr. Chen worked with Wholesale Union of Fuqing (福清市供銷社) from 1979 to 1990. Mr. Chen was appointed as a non-executive Director in September 2002.

Mr. Zhou Wen Jie (周文杰), aged 60, was employed in the finance department of Shanghai Light Industry School (上海輕工業學校) as an officer from 1986 to 1989 and Shanghai Huasheng Meticulous Chemical Co., Ltd. (上海華盛精細化工有限公司) as manager from 1990 to 1997. Mr. Zhou is a director and the financial controller of Huasheng Enterprises since 1997 and was appointed as a non-executive Director in October 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Long Ling (李龍齡), aged 66, is one of the advisers in the City and Town Natural Gas Experts Committee of Ministry of Construction in the PRC (中華人民共和國建設部). Mr. Li is currently working with Shanghai North Coal Gas Co., Ltd. (上海燃氣市北銷售有限公司) as consultant. Mr. Li was appointed as an independent non-executive Director in July 2001.

Mr. Chen Wen Gui (陳文貴), aged 73, graduated from Qing Hua University (清華大學) in July 1958 studying engineering. Mr. Chen held senior posts in the fire fighting related companies, including Fire Prevention and Fighting Bureau of the Ministry of Public Security of the PRC (中華人民共和國公安部消防局) and PRC Fire Prevention and Fighting Association (中華人民共和國消防協會). Mr. Chen is currently the honored chairman of Shenzhen Yinte Fire Prevention and Fighting Engineering Company (深圳因特消防工程公司) and senior consultant of Beijing Linglong Huang Travel Development Company (北京陵龍鍠旅遊開發公司). Mr. Chen was the co-author of The Complete Guide of Fire Fighting and Prevention in China (中國消防全書). Mr. Chen was appointed as an independent non-executive Director in October 2000.

Mr. Yang Chun Bao (楊春寶), aged 50, graduated from Mcdonna University in Livonia Michigan in the U.S. with a master degree in business administration in July 1999. Mr. Yang is a qualified accountant and is the deputy supervisor with Shanghai Huashen Certified Public Accountants (上海華申會計師事務所副主任). Mr. Yang was appointed as an independent non-executive Director in October 2000.

Mr. Wang Guo Zhong (王國忠), aged 48, graduated from Shanghai Fudan University with a bachelor degree in law in April 1983. Mr. Wang is currently an officer of Shanghai Jin Ma P.R.C. Lawyers (上海金馬律師事務所). Mr. Wang was appointed as an independent non-executive Director in October 2000.

SUPERVISORS

The Company has a committee of Supervisors whose primary duty is the supervision of the discharge of the duties of the senior management of the Company, including the Board, managers and senior officers. The function of the committee of Supervisors is to ensure that the senior management of the Company acts in the interests of the Company, its shareholders and employees and does not perform acts which violate the PRC law or the Articles of Association. The committee of Supervisors reports to the Shareholders in general meeting. The Articles of Association provide the committee of Supervisors with the right to investigate the Company's financial affairs; to carry out supervision to ensure that the directors, managers and other senior management personnel of the Company do not act in contravention of any laws, administrative regulations or the Articles of Association in the performance of their duties; to request that any activities harmful to the interests of the Company by the Directors, managers or other senior management of the Company be rectified; to examine financial reports, business reports, profit distribution plans and other financial documents by the Board to be submitted to Shareholders in general meeting, and in appropriate cases, to appoint on behalf of the Company certified public accountants or certified practising auditors to assist in such review; to propose the convening of extraordinary general meetings of Shareholders; to represent the Company when negotiating with the Directors or when initiating legal proceedings against a Director; and other official functions and powers stipulated in the Articles of Association. The committee of Supervisors currently comprises the following persons:

Supervisors nominated by Shareholders or employees

Mr. Tang Cheng (湯澄), aged 36, graduated from Shanghai Jiaotong University (上海交通大學) with a Doctorate degree in system engineering in July 1997. Mr. Tang possesses over 5 years' working experience in the field of finance. Mr. Tang worked in Jinhua Trust Investment Company Limited (金華信託投資股份有限公司) as a manager of financial service department in 1998. Mr. Tang is currently the assistant to general manager of Shanghai APEX and was appointed as a Supervisor in October 2000.

Mr. Wang Kou Cheng (王叩成), aged 59, worked with Shanghai Machine Tools and Electric Appliance Factory (上海機床電器廠) during the period from 1965 to 1992. Mr. Wang is currently the deputy general manager of Huasheng Enterprises and was appointed as a Supervisor in October 2000.

Mr. Liu Xiong De (劉雄德), aged 57, is the chairman of the labour union of the Company. Mr. Liu joined Qingpu Factory in 1976 as operator in the production department, and was subsequently transferred to the human resources department and promoted to the position of administrator. Mr. Liu was appointed as the chairman of the labour union and a Supervisor of the Company in 1997 and in September 2002 respectively.

COMPLIANCE OFFICER

Mr. Wang Liang Fa, who is also an executive Director.

SENIOR MANAGEMENT

Mr. Shen Jian Zhong (沈建忠), aged 41, is the general manager of the Company. Mr. Shen graduated from Shanghai Machinery Manufacturing School (上海機械製造學校). Before joining the Company, Mr. Shen had worked for Shanghai Sanhe Water & Electric Equipment Factory (上海三和水利電力設備廠), one of the largest public utility enterprise in Shanghai, as quality control manager, production manager and finally the general manager. Mr. Shen joined the Company in 1998 and was promoted as general manager of the Company in November 2004.

Ms. Wang Xiang (王翔), aged 45, is the financial controller of the Company. Ms. Wang graduated from Shanghai University of Finance and Economics (上海財經大學) in 1985 and Shanghai University in 2003. Ms. Wang possesses a Master degree in Science and Engineering. Ms. Wang has been a member of Chinese Institute of Certified Public Accountants. Ms. Wang had worked in Shanghai No. 5 Watch Factory (上海手錶五廠) as finance manager and in Shanghai Watch and Clock Corporation Limited (上海鐘錶有限公司) as chief accountant and chief finance officer and assistant to general manager. Ms. Wang joined the Company in January 2005.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Chan Chi Wai, Benny (陳智偉), aged 35, is the qualified accountant and company secretary of the Company. Mr. Chan graduated from Queensland University of Technology, Australia with a bachelor degree in accountancy. He has been a member of Australian Society of CPAs since 1999. Mr. Chan had worked in a subsidiary of a company listed in Hong Kong from 1996 to 1998 and a subsidiary of another company listed in Hong Kong from 1998 to 2002 as accounting manager and subsequently promoted as deputy general manager. Prior to joining the Company, Mr. Chan worked as assistant financial controller, in a company listed on the Main Board, from 2002 to 2004. Mr. Chan joined the Company in April 2004.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are manufacturing and sale of fire fighting equipment products and provision of the related processing services.

Analysis of the Company's performance for the year by geographic segment is set out in note 5 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2005 are set out in the income statement on page 29.

The state of the Company's affairs as at 31 December 2005 is set out in the balance sheet on page 30.

The Directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 22a to the financial statements.

RESERVES

Movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 31.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2005, calculated under the Company Law of the People's Republic of China (the "PRC"), being the jurisdiction in which the Company was established, amounted to RMB7,412,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and there was no restriction against such rights under the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

The summary of the results of the Company for the last four financial years is set out on page 62.

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES

The Company has not redeemed, purchased or sold any of its shares during the year.

SHARE OPTIONS

As at the date of this report, no option has been granted or agreed to be granted by the Company to any of its Directors, Supervisors or employees of the Company.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office during the year and up to the date of this report are:

Executive Directors

Mr. Jiang Zi Qiang
Mr. Wang Liang Fa
Mr. Sun Hua Jie

Non-executive Directors

Mr. Wang Zhi Yu
Mr. Jiang Zhou
Mr. Wu Tian Xin
Mr. Zhao Shu Guang
Mr. Chen Zhen Qiang
Mr. Zhou Wen Jie

Independent Non-executive Directors

Mr. Li Long Ling
Mr. Chen Wen Gui
Mr. Yang Chun Bao
Mr. Wang Guo Zhong

Supervisors

Mr. Tang Cheng
Mr. Wang Kou Cheng
Mr. Liu Xiong De

In accordance with Articles 102, 123 and 124 of the Company's Articles of Association, all the Directors and two thirds of Supervisors shall be elected at the shareholders' general meeting for a term of three years. The remaining one third of Supervisors shall be elected at the Labour's Meeting for a term of three years. A Director or Supervisor may serve consecutive terms if re-elected upon the expiration of the terms.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management are set out on page 11 to page 15.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years from his/her date of appointment as a Director or, as the case may be, as a Supervisor and thereafter subject to termination by either party giving not less than one month's written notice to the other party.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Apart from the Directors' and Supervisors' service contracts disclosed above, no contracts of significance in relation to the Company's business to which the Company was a party and in which a Director or a Supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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. Wang Zhi Yu	Personal	Beneficial owner	14,070,000	10.67%	7.51%
Mr. Jiang Zhou	Personal	Beneficial owner	13,190,000	10%	7.04%
Mr. Wang Liang Fa	Personal	Beneficial owner	11,870,000	9%	6.33%

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

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 31 December 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 31 December 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:

Name of shareholder	Capacity	Number of shares *(Note 2)*	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.

2. All represented domestic shares.

Save as disclosed above, as at 31 December 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.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Company's major customers and suppliers are as follows:

Sales	
– the largest customer	24.1%
– five largest customers combined	64.7%
Purchases	
– the largest supplier	14.4%
– five largest suppliers combined	50.9%

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publishing available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the Public as at the date of this report.

CONNECTED TRANSACTION

The connected transactions undertaken by the Company are set out in note 24 to the financial statements.

As disclosed in note 15 to the financial statements, the purchase of certain plant and equipment by the Company from Shanghai High Pressure Container Co., Ltd. (a company owned as to 65% by a controlling shareholder of the Company) was approved by shareholders at the extraordinary general meeting on 7 December 2005. Except for the above, the independent non-executive Directors have examined and confirmed that:

(i) these transactions were executed in the ordinary and usual course of business of the Company;

(ii) these transactions were executed on normal commercial terms or on terms not less favorable than those given to (or obtained from, wherever applicable) independent third parties (if no comparable transaction can be referred to judge whether the transaction was executed on normal commercial terms);

(iii) these transactions were executed in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole; and

(iv) the aggregate amount of each of these transactions has not exceeded the cap amount set out in the waiver letter granted by the Stock Exchange in this regard.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in any business that directly or indirectly competes with the business of the Company or has any other conflicts of interest.

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 31 December 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 31 December 2004 to 31 December 2006 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

AUDITORS

PricewaterhouseCoopers were auditors of the Company for the years ended 31 December 2002 and 2003, and they resigned as auditors on 11 March 2005. CCIF CPA Limited ("CCIF") and Cachet Certified Public Accountants Limited ("Cachet") were auditors of the Company for the years ended 31 December 2004 and 2005 .

CCIF and Cachet retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Jiang Zi Qiang
Chairman

Shanghai, The PRC, 30 March 2006

To the Shareholders:

The Supervisory Committee of Shanghai Qingpu Fire-Fighting Equipment Co. Ltd. (the "Supervisory Committee"), in compliance with the provisions of the Company Law of the People's Republic of China (the "PRC Company Law"), the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, under their fiduciary duty, took up an active role to work reasonably and cautiously with diligence to protect the interests of the Company and its shareholders.

During the year, Supervisory Committee had reviewed cautiously the operation and development plans of the Company and provided reasonable suggestions and opinions to the Board of Directors. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders.

We have reviewed and agreed to the report of the Directors and audited financial statements and the dividend to be for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. The transactions between the Company and connected parties are in the interests of the shareholders as a whole and under fair and reasonable price. Up till now, none of the Directors, general manager and senior management staff had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees. And none of them were found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2005 and has great confidence in the future of the Company.

By Order of the Supervisory Committee
Wang Kou Cheng
Chairman

Shanghai, the PRC
30 March 2006

Rule 5.35 to Rule 5.45 of the GEM Listing Rules setting out the provisions of the practice and procedure of the board of directors have been replaced by Appendix 15 of the Code on Corporate Governance Practices, which took effect from 1 January 2005.

For the year ended 31 December 2005, the Company complied with all the code provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the GEM Listing Rules.

DIRECTORS' DEALING IN SECURITIES

The Company has formulated and implemented its Code on Dealing in Securities pursuant to the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules to regulate the directors' dealing in securities. The Code on Dealing in Securities of the Company are no less exacting terms than the required standard of dealings and these requirements are also applicable to specific persons such as the senior management.

After enquiry by the Company to all the Directors, all the Directors have confirmed that they have been complying with the required standard of dealings set out the GEM Listing Rules and the Code on Dealing in Securities of the Company.

BOARD OF DIRECTORS

The Board currently comprises of thirteen Directors and their term of office will end upon the conclusion of the annual general meeting in 2007. The Board includes four influential independent non-executive Directors and six non-executive Directors. Non-executive Directors are independent of the management and in possession of solid experience in the business of the industry that the Company is in. They provide significant contribution to the development of the Company.

For the year ended 31 December 2005, the Board fulfilled the minimum requirement of appointing at least three independent non-executive Directors as required by the GEM Listing Rules and the number of independent non-executive Directors exceeded one-third of the members of the Board, and it also met the requirement of having one independent non-executive director with appropriate professional qualification or professional accounting or financial management expertise.

According to the requirement of the GEM Listing Rules, the Company has received the written confirmation of independence from all independent non-executive Directors. The Company considers that all independent non-executive Directors are independent of the Company.

The Board conducts meetings at least at each quarter or in case there is important decision to make. The Board conducted five meetings in 2005 to discuss and decide development strategies, important operational issues, financial issues and other important issues under the Company's memorandum and articles of association. The following table sets out the attendance of Directors' meeting in 2005:

	Attendance/ Number of meetings
Executive Directors	
Jiang Zi Qiang	5/5
Wang Liang Fa	5/5
Sun Hua Jie	5/5
Non Executive Directors	
Wang Zhi Yu	5/5
Jiang Zhou	5/5
Wu Tian Xin	5/5
Zhao Shu Guang	5/5
Chen Zhen Qiang	5/5
Zhou Wen Jie	5/5
Independent non executive Directors	
Li Long Ling	2/5
Yang Chun Bao	5/5
Chen Wen Gui	5/5
Wang Guo Zhong	5/5

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Mr. Jing Zi Qiang and Mr. Shen Jian Zhong are chairman of the Board and general manager respectively, which are two clearly defined positions. The chairman is responsible for the operation of the Board while the general manager is in charge of ordinary business management. The Articles of Association of the Company set out the respective functions of the chairman and the general manager in detail.

DIRECTORS' REMUNERATION

In 2005, Wang Liang Fa and Sun Hua Jie, in their capacity as the executive Directors of the Company, received remuneration for the year ended 31 December 2005. All other Directors did not receive Directors' remuneration for the year ended 31 December 2005. Details of directors' remuneration are set out in note 10 to the financial statements.

APPOINTMENT OF DIRECTORS

Directors of the Company were elected at general meetings with a term of three years for each session. Directors can be re-elected upon expiration of the term. All thirteen Directors currently in office were elected at an annual general meeting or a special general meeting.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to “A Guide For The Formation of An Audit Committee” compiled by the Hong Kong Institute of Certified Public Accountants. In compliance with Rule of 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee have been properly written out. The primary duties of the audit committee are to review and monitor the Company’s financial reporting process and internal control system. The committee comprises of Li Long Ling, Chen Wen Gui and Yang Chun Bao, who are independent non-executive Directors. Yang Chun Bao possesses appropriate professional qualification and financial experience.

Three meetings have been conducted by the audit committee in 2005. The first meeting was held on 21 June 2005 for discussion of the operating results, statements of affairs and accounting policies with respect to the audited and unaudited financial statements of the Company for the year ended 31 December 2004 and 3 months ended 31 March 2005 respectively, and taking advice of auditors. The second meeting was held on 11 August 2005 for discussion of the operating results, statements of affairs and accounting policies with respect to the unaudited interim report of the Company for the six months ended 30 June 2005. The third meeting were held on 10 November 2005 for discussion of the operating results, statements of affair and accounting policy with respect to the unaudited third quarter for the nine months ended 30 September 2005.

The following table sets out the attendance of the committee’s meeting in 2005:

Committee members	**Attendance/ Number of meetings**
Li Long Ling	3/3
Chen Wen Gui	3/3
Yang Chun Bao	3/3

The audit committee held a meeting on 29 March 2006 to review and discuss the operating results, statements of affairs, major accounting policies and internal audit issues of the Company for the year ended 31 December 2005 and to take advice from auditors.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for Directors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy.

The Remuneration Committee comprises of one executive Director, Jiang Zi Qiang and two independent non-executive Directors, Yang Chun Bao and Li Long Ling, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the remuneration committee.

On 29 March 2006, the Committee reviewed and discussed the Directors' and senior executives' emoluments for the year ended 31 December 2005.

NOMINATION COMMITTEE

The Company has established the Nomination Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary responsibilities include reviewing and supervising the framework, number of members and composition of the Board and making proposals to the Board in respect of any changes and identifying and nominating suitable persons for appointment of Director.

The Nomination Committee comprises of one executive Director, Jiang Zi Qing and two independent non- executive Directors, Yang Chun Bao and Li Long Ling, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the nomination committee.

On 29 March 2006, the Committee reviewed and discussed the framework, number of members and composition of the Board, and identified and made proposals in respect of the appointment of Directors.

AUDITORS' REMUNERATION

CCIF CPA Limited and Cachet Certified Public Accountants Limited ("CCIF and Cachet") were the auditors of the Company for the year ended 31 December 2005. Other than annual auditing services, CCIF and Cachet did not provide non-auditing services to the Company during the year.

Auditors' remuneration for year ended 31 December 2005 is set out in note 6. Besides, the Company paid for auditors' expenses of lodging, meals and traveling during the period the auditing services were provided.

CACHET
Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司
Suite 913, 9/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai, Hong Kong

CCIF
CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF SHANGHAI QINGPU FIRE-FIGHTING EQUIPMENT CO., LTD. (ESTABLISHED AS A JOINT STOCK COMPANY IN THE PEOPLE'S REPUBLIC OF CHINA WITH LIMITED LIABILITY)

We have audited the financial statements on pages 29 to 61 which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in note 2(a) to the financial statements concerning the basis of their preparation by the Directors. As explained in note 2(a), the financial statements have been prepared on a going concern basis, the validity of which is dependent on the continued financial support of the Company's bankers. The financial statements do not include any adjustment that would result from a failure to obtain such financial support. We consider that adequate disclosures have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2005 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

Cachet Certified Public Accountants Limited
Certified Public Accountants
Hong Kong, 30 March 2006

Chan Yuk Tong
Practising Certificate Number P03723

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2006

Betty P.C. Tse
Practising Certificate Number P03024

INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2005

	Note	2005 RMB'000	2004 RMB'000
TURNOVER	4	66,164	56,050
COST OF SALES		(58,696)	(40,276)
GROSS PROFIT		7,468	15,774
OTHER REVENUE AND GAINS	4	400	1,868
OTHER EXPENSES			
Distribution costs		(4,401)	(1,196)
Administrative expenses		(16,497)	(6,732)
		(20,898)	(7,928)
(LOSS)/PROFIT FROM OPERATIONS	6	(13,030)	9,714
FINANCE COSTS	7	(577)	(543)
(LOSS)/PROFIT BEFORE TAXATION		(13,607)	9,171
TAXATION CREDIT/(CHARGE)	11	3,695	(2,939)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(9,912)	6,232
DIVIDENDS		–	–
(LOSS)/EARNINGS PER SHARE (RMB)	12		
– Basic		(0.053)	0.039
– Diluted		N/A	N/A

The notes on pages 34 to 61 form an integral part of these financial statements.

BALANCE SHEET

31 DECEMBER 2005

	Note	2005 RMB'000	2004 RMB'000
Non-current assets			
Land use rights	*13*	**816**	834
Property, plant and equipment	*14*	**22,593**	11,001
Purchase deposit	*15*	**–**	12,813
Deferred tax assets	*11*	**–**	777
		23,409	25,425
Current assets			
Due from related companies	*24(c)*	**3,090**	11,189
Inventories	*16*	**5,724**	7,275
Trade receivables	*17*	**27,031**	20,652
Prepayments, deposits and other receivables		**7,470**	10,166
Tax recoverable		**515**	–
Cash and bank balances		**790**	7,074
		44,620	56,356
Current liabilities			
Trade payables	*18*	**15,728**	12,146
Other payable and accruals	*19*	**3,361**	5,798
Tax payable		**–**	4,835
Due to a shareholder	*24(c)*	**755**	973
Due to related companies	*24(c)*	**1,159**	884
Short-term bank loans	*20*	**8,550**	8,550
		29,553	33,186
Net current assets		**15,067**	23,170
Total assets less current liabilities		**38,476**	48,595
Non-current liabilities			
Deferred revenue	*21*	**(623)**	(830)
NET ASSETS		**37,853**	47,765
CAPITAL AND RESERVES			
Share capital	*22(a)*	**18,743**	18,743
Reserves		**19,110**	29,022
		37,853	47,765

Approved and authorised for issue by the board of directors on 30 March 2006

On behalf of the board

Jiang Zi Qiang
Director

Sun Hua Jie
Director

The notes on pages 34 to 61 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2005

	Share capital RMB'000 *(note 22(a))*	Share premium/ (share issuance costs) RMB'000	Capital reserve RMB'000 *(note 22(b))*	Discretionary common reserve fund RMB'000 *(note 23)*	Statutory common welfare fund RMB'000 *(note 23)*	Statutory common reserve fund RMB'000 *(note 23)*	Retained earnings RMB'000	Total RMB'000
As at 1 January 2004	13,187	(4,959)	(2,770)	–	1,341	1,341	11,968	20,108
Issue of shares	5,556	26,252	–	–	–	–	–	31,808
Direct cost incurred for listing of shares on the GEM	–	(10,383)	–	–	–	–	–	(10,383)
Net profit for the year	–	–	–	–	–	–	6,232	6,232
Appropriation	–	–	207	1,500	526	526	(2,759)	–
As at 31 December 2004 and 1 January 2005	18,743	10,910	(2,563)	1,500	1,867	1,867	15,441	47,765
Net loss for the year	–	–	–	–	–	–	(9,912)	(9,912)
Appropriation	–	–	207	–	–	–	(207)	–
As at 31 December 2005	18,743	10,910	(2,356)	1,500	1,867	1,867	5,322	37,853

The notes on pages 34 to 61 form an integral part of these financial statements.

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2005

	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	**(13,607)**	9,171
Adjustment for:		
Amortisation of land use rights	**18**	18
Depreciation of property, plant and equipment	**1,275**	1,029
(Gain)/loss on disposal of property, plant and equipment	**(13)**	645
Amortisation of government grant	**(207)**	(207)
Provision for/(write back of) doubtful debts	**9,200**	(661)
Interest income	**(10)**	(8)
Interest expenses	**572**	539
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES	**(2,772)**	10,526
Decrease/(increase) in amounts due from related companies	**8,099**	(6,431)
Decrease/(increase) in prepayments, deposits and other receivables	**2,696**	(12,304)
Decrease in inventories	**1,551**	736
(Increase)/decrease in trade receivables	**(15,579)**	2,233
Increase in trade payables	**3,582**	3,140
(Decrease)/increase in other payables and accruals	**(2,437)**	1,465
(Increase)/decrease in amounts due to related companies	**275**	(119)
Decrease in amount due to a shareholder	**(218)**	(780)
	(2,031)	(12,060)
CASH USED IN OPERATIONS	**(4,803)**	(1,534)
Profits tax paid	**(878)**	(1,688)
NET CASH USED IN OPERATING ACTIVITIES	**(5,681)**	(3,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**10**	8
Purchase of property, plant and equipment	**(13,147)**	(1,951)
Refund/(payment) of purchase deposit *(Note 15)*	**12,813**	(12,813)
Proceeds from disposal of property, plant and equipment	**293**	–
NET CASH USED IN INVESTING ACTIVITIES	**(31)**	(14,756)

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2005

	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(572)	(539)
Inception of borrowings	8,500	8,550
Repayments of borrowings	(8,500)	(8,550)
Issue of share capital	–	31,808
Cost of issue of share capital	–	(10,383)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(572)	20,886
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,284)	2,908
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,074	4,166
CASH AND CASH EQUIVALENTS AT END OF YEAR	790	7,074
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	790	7,074

The notes on pages 34 to 61 form an integral part of these financial statements.

1. BACKGROUND OF THE COMPANY

The Company was established in The People's Republic of China (the "PRC") as a collective enterprise under the name of Shanghai Qingpu Fire-Fighting Equipment Factory ("上海青浦消防器材廠"). In 1999, it was transformed into a limited liability company. Through a series of equity transfers and capital injections in 2000, the Company was transformed into a joint stock limited liability company on 1 December 2000 and renamed as Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. ("上海青浦消防器材股份有限公司"). Details of the reorganisation were set out in the prospectus issued by the Company on 18 June 2004.

On 30 June 2004, 55,560,000 new H shares in the Company were issued and listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company are manufacturing and sale of fire fighting equipment products and provision of the related processing services.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"). The financial statements are prepared under the historical cost convention except that certain financial instruments are stated at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Listing Rules of the GEM of the Stock Exchange.

In the current year, the Company has adopted the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB below, which are relevant to its operations and effective for accounting periods beginning on 1 January 2005.

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 39	Financial Instruments: Recognition and Measurement

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The adoption of these new and revised Standards and Interpretations has had no material effect on how the results for the current or prior accounting period are prepared. Accordingly, no prior year adjustment has been made.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but yet effective:

IAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
IAS 19 (Amendment)	Employee Benefits
IAS 21 (Amendment)	Net Investment in a Foreign Operation
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (Amendment)	The Fair Value Option
IAS 39 and IFRS 4 (Amendment)	Financial Guarantee Contracts
IFRS 1 (Amendment) and IFRS 6 (Amendment)	First-time Adoption of International Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC 3	Emission Rights
IFRIC 4	Determining whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2

The Company has commenced considering the potential impact of the above new and amendments to IFRSs but is not yet in a position to determine whether these new and amendments to IFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new and amendments to IFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The principal accounting policies adopted by the Company are set out below:

a) Going concern concept

The Company recorded a loss attributable to shareholders of RMB9,912,000 for the year ended 31 December 2005. The Company also had a net cash outflow from operations of RMB5,681,000 and an overall net cash outflow of RMB6,284,000 for the same period. The Directors have been (i) in negotiations with new or existing bankers and third parties with a view to obtaining new facilities and/or renewals of the existing banking facilities granted to the Company, and (ii) closely monitoring the settlement of the Company's receivables.

Provided that the Company's existing bankers renew the existing facilities, or to the extent that existing facilities are not renewed they are replaced by new facilities made available from existing or new bankers, the Directors consider the Company will have sufficient funds to support its ongoing operations.

Should the Company fail to obtain the required banking facilities, the Company may not have adequate financial resources to support its ongoing operations, and therefore, adjustments would have to be made to restate the value of the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities as current assets and liabilities.

b) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land for 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Buildings	Shorter of the lease term or 40 years
Machinery	8 to 10 years
Furniture, fixtures and computer equipment	6 years
Motor vehicles	8 years

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the company.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

d) Construction-in-progress

Construction-in-progress represents properties, plant and equipment under construction and is stated at cost less impairment losses. This includes cost of construction, machinery and equipment, installation costs and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and ready for their intended use.

e) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

f) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

g) Trade receivables

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

j) Retirement benefit costs

Contributions to retirement schemes for employees in accordance with local rules and regulations are expensed in the income statement as incurred, except to the extent that they are included in cost of intangible assets and inventories not yet recognised as an expense.

k) Foreign currency transactions and balances

Foreign currency transactions are translated into Renminbi using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) Government grants

Grants from the government in the form of subsidy or financial refunds are recognised when there is reasonable assurance that the grants will be received and all attached conditions are complied with.

Government grants relating to costs are initially recorded as deferred revenue and are recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to purchase of property, plant and equipment are initially recorded as deferred revenue and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

m) Impairment loss

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

n) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

o) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes below. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company. Contingent assets are not recognised but are disclosed in the notes below when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

i) Sale of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Sales are shown net of sales taxes and discounts.

ii) Interest income

Interest income from bank deposits is recognised on a time proportion basis, taking into account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

iii) Processing income

Processing income is recognised upon completion of the related processing services.

q) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

r) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

s) Financial instruments

Financial assets and liabilities carried on the balance sheet include cash and bank deposits, trade and other receivables and payables, balances with related parties, and short-term bank loans. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

t) Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Sales of goods

Sales of goods are recognised when the Company has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assumed.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result changes in customers taste and competitor actions in response to severe industry cycles. Management reassesses the estimations by each balance sheet date.

(iii) Trade and other receivables

The Company's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision by each balance sheet date.

(iv) Estimated useful lives of property, plant and equipment

The Company's management determines the estimated useful lives for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

4. TURNOVER AND REVENUE

	2005 RMB'000	2004 RMB'000
Turnover:		
Sales of goods	66,164	53,519
Provision of processing services	–	2,531
	66,164	56,050
Other revenue and gains:		
Amortisation of government grant received relating to purchase of plant and machinery *(Note 21)*	207	207
Interest income	10	8
Write back of provision for doubtful debts	–	661
Net foreign exchange gain	–	988
Gain on disposal of property, plant and equipment	13	–
Others	170	4
	400	1,868
Total revenue	66,564	57,918

5. 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. An analysis of the Company's turnover by geographical segment, as determined by the location of its customers is as follows:

	2005	2004
	RMB'000	RMB'000
PRC other than Hong Kong	**27,072**	29,978
Europe	**17,105**	12,587
Hong Kong	**19,864**	9,530
Asia except for PRC and Hong Kong	**1,585**	3,801
Others	**538**	154
Total	**66,164**	56,050

6. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is arrived at after charging the following items:

	2005	2004
	RMB'000	RMB'000
Amortisation of land use rights	**18**	18
Depreciation on property, plant and equipment	**1,275**	1,029
Auditors' remuneration	**561**	477
Cost of inventories sold	**58,696**	40,276
Loss on disposal of property, plant and equipment	**–**	645
Net foreign exchange loss	**1,520**	–
Operating lease rentals for land and buildings	**246**	246
Provision for doubtful debts	**9,200**	–
Staff costs *(note 8)*	**7,022**	7,204

7. FINANCE COSTS

	2005 RMB'000	2004 RMB'000
Interest expenses on short-term bank loans	**572**	539
Others	**5**	4
	577	543

8. STAFF COSTS

	2005 RMB'000	2004 RMB'000
Wages and salaries	**5,927**	5,825
Social security costs	**365**	397
Retirement benefit costs *(Note 9)*	**654**	733
Housing subsidies	**76**	249
Staff costs (including Directors' and Supervisors' emoluments – *note 10*)	**7,022**	7,204

9. RETIREMENT BENEFIT COSTS

The employees of the Company participate in a retirement benefit plan organised by the municipal government whereby the Company is required to make monthly contributions to the plan at a rate ranging from 22.5% to 25.5% of the employees' basic salary for the year. The Company has no obligation for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. Expenses incurred by the Company in connection with the retirement benefit plan were RMB654,000 (2004: RMB733,000). There was no forfeited contribution throughout the year.

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

a) Details of emoluments paid to the Directors and Supervisors of the Company are as follows:

	2005 RMB'000	2004 RMB'000
Basic salaries and allowances	54	27
Retirement scheme contributions	4	23
	58	50

Details of emoluments paid to every Director and Supervisor for the year ended 31 December 2005 are set out below:

Name	Fees RMB'000	Other emoluments Basic salaries and allowances RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors				
Jiang Zi Qiang	–	–	–	–
Wang Liang Fa	–	15	2	17
Sun Hua Jie	–	20	1	21
Non-executive Directors				
Wang Zhi Yu	–	–	–	–
Jiang Zhou	–	–	–	–
Wu Tian Xin	–	–	–	–
Zhao Shu Guang	–	–	–	–
Chen Zhen Qiang	–	–	–	–
Zhou Wen Jie	–	–	–	–
Independent non-executive Directors				
Li Long Ling	–	–	–	–
Chen Wen Gui	–	–	–	–
Yang Chun Bao	–	–	–	–
Wang Guo Zhong	–	–	–	–
Supervisors				
Tang Cheng	–	–	–	–
Wang Kou Cheng	–	–	–	–
Liu Xiong De	–	19	1	20
	–	54	4	58

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

Details of emoluments paid to every Director and Supervisor for the year ended 31 December 2004 are set out below:

		Other emoluments		
Name	Fees	Basic salaries and allowances	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Jiang Zi Qiang	–	–	–	–
Wang Liang Fa	–	9	8	17
Sun Hua Jie	–	9	8	17
Non-executive Directors				
Wang Zhi Yu	–	–	–	–
Jiang Zhou	–	–	–	–
Wu Tian Xin	–	–	–	–
Zhao Shu Guang	–	–	–	–
Chen Zhen Qiang	–	–	–	–
Zhou Wen Jie	–	–	–	–
Independent non-executive Directors				
Li Long Ling	–	–	–	–
Chen Wen Gui	–	–	–	–
Yang Chun Bao	–	–	–	–
Wang Guo Zhong	–	–	–	–
Supervisors				
Tang Cheng	–	–	–	–
Wang Kou Cheng	–	–	–	–
Liu Xiong De	–	9	7	16
	–	27	23	50

No emoluments were paid to other Directors of the Company during the years ended 31 December 2005 and 2004.

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

b) The five individuals whose emoluments were the highest in the Company are as follows:

	2005	2004
	RMB'000	RMB'000
Executive Directors and Supervisors	**1**	–
Other individuals	**4**	5
	5	5

c) Of the five individuals with the highest emoluments, one (2004: Nil) are Directors and Supervisors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the other four (2004: five) individuals are as follows:

	2005	2004
	RMB'000	RMB'000
Basic salaries and allowances	**255**	189
Retirement scheme contributions	**2**	36
	257	225

The emoluments of each of these highest paid individuals in each of the relevant years were below RMB1,000,000.

d) During the year, no Directors, Supervisors or any of the five highest paid individuals of the Company waived any emoluments, and no emoluments have been paid by the Company to the Directors, Supervisors or any of the five highest paid individuals as an inducement to join the Company, or as compensation for loss of office.

11. TAXATION

Pursuant to the relevant PRC tax regulations, High and New Technology Enterprises ("HNTE") operating within a designated High and New Technology Development Zone ("HNTDZ") are entitled to a reduced Enterprise Income Tax ("EIT") rate of 15%. The certification as a HNTE is subject to an annual review by the relevant government bodies.

The Company is subject to the Income Tax Law of the PRC and the normal EIT rate applicable is 33%. As the Company is recognised as a HNTE and is operating and registered in the designated HNTDZ, it is entitled to a reduced EIT rate of 15%. Accordingly, the Company is subject to EIT at a rate of 15%.

In June 2005, the Company renewed its HNTE certification granted by Science & Technology Commission of Shanghai Municipality for the years of 2005 and 2006. The Company was registered in the designated HNTDZ and has obtained an approval to enjoy a preferential EIT rate of 15% since 2001. In previous years, EIT was provided at 33% on the Company's assessable profits. The difference between the taxation provided in previous years and that charged at the preferential EIT rate of 15% was written back to the current year income statement.

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong during the year (2004: Nil).

	2005 **RMB'000**	2004 RMB'000
Current taxation:		
Current year	**8**	2,932
Write back of over-provision in previous years	**(4,480)**	–
Deferred taxation:		
Current year	**353**	7
Attributable to change in tax rate	**424**	–
Tax (credit)/charge	**(3,695)**	2,939

Movements of deferred tax assets for the year are as follows:

	2005 **RMB'000**	2004 RMB'000
Balance at 1 January	**777**	784
Charged to income statement	**(777)**	(7)
Balance at 31 December	**–**	777

11. TAXATION *(Continued)*

Components of deferred tax assets are as follows:

	Provision for doubtful debts		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**498**	716	**279**	68	**777**	784
Effect of change in tax rate	**(272)**	–	**(152)**	–	**(424)**	–
Credited to income statement	**–**	(218)	**–**	211	**–**	(7)
Reversal of deferred tax assets	**(226)**	–	**(127)**	–	**(353)**	–
At 31 December	**–**	498	**–**	279	**–**	777

A potential deferred tax asset, which represents mainly temporary difference arising from tax losses carried forward, has not been recognised in the financial statements as, in the opinion of the Directors, it is uncertain that such asset will be realised in the foreseeable future. The Company has unrecognised deferred tax asset in respect of tax losses of RMB2,089,000 (2004: Nil) to carry forward against future taxable profit. These tax losses will expire in the next five years.

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

	2005		2004	
	RMB'000	**%**	RMB'000	%
(Loss)/profit before taxation	**(13,607)**		9,171	
Tax at the applicable tax rate of 15% (2004: 33%)	**(2,041)**	**15.00**	3,026	33.00
Income that are not subject to tax and expenses that are not deductible for tax purposes:				
– Amortisation of government grant relating to purchase of plant and equipment	**(31)**	**0.22**	(69)	(0.75)
– Others	**(9)**	**0.07**	(18)	(0.20)
Tax effect of unused tax losses not recognised	**2,089**	**(15.35)**	–	–
Write back of overprovision for previous years due to a change in tax rate	**(4,480)**	**32.92**	–	–
Decrease in opening deferred tax assets resulting from change in tax rate	**424**	**(3.11)**	–	–
Reversal of deferred tax assets	**353**	**(2.59)**	–	–
Tax (credit)/charge	**(3,695)**	**27.16**	2,939	32.05

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to shareholders of RMB9,912,000 (2004: profit attributable to shareholders of RMB6,232,000) divided by the weighted average number of shares in issue during the year of 187,430,000 (2004: 160,031,000).

Diluted (loss)/earnings per share have not been calculated as there were no dilutive potential ordinary shares during the year (2004: Nil).

13. LAND USE RIGHTS

	2005 RMB'000	2004 RMB'000
Cost	**900**	900
Accumulated amortisation	**(84)**	(66)
Net book value	**816**	834

All land in the PRC is owned by the State or is subject to collective ownership and neither individuals nor legal entities may own land.

Payments for land use rights represent prepaid lease payments for the parcels of land in which the Company's plants are located. As at 31 December 2005, the Company had no future lease payment obligations in respect of the above land use rights (2004: Nil).

As at the balance sheet date, the land use right of one of the Company's plants with a net book value of RMB666,000 (2004: RMB681,000) was pledged to secure for the Company's short-term bank loans (note 20).

14. PROPERTY, PLANT AND EQUIPMENT

	Construction-in-progress RMB'000	**Buildings** RMB'000	**Machinery** RMB'000	**Furniture, fixtures and computer equipment** RMB'000	**Motor vehicles** RMB'000	**Total** RMB'000
Cost						
At 1 January 2004	120	6,331	9,178	1,630	1,099	18,358
Additions	56	–	1,625	–	270	1,951
Transfer	(71)	–	71	–	–	–
Disposals	–	–	(850)	(248)	(160)	(1,258)
At 31 December 2004	105	6,331	10,024	1,382	1,209	19,051
Accumulated depreciation and impairment						
At 1 January 2004	–	2,113	3,874	885	762	7,634
Charge for the year	–	189	656	112	72	1,029
Disposals	–	–	(342)	(117)	(154)	(613)
At 31 December 2004	–	2,302	4,188	880	680	8,050
Net book value						
At 31 December 2004	105	4,029	5,836	502	529	11,001

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Construction-in-progress RMB'000	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2005	105	6,331	10,024	1,382	1,209	19,051
Additions	392	–	12,446	9	300	13,147
Transfer	(433)	382	51	–	–	–
Disposals	–	–	(302)	–	(20)	(322)
At 31 December 2005	64	6,713	22,219	1,391	1,489	31,876
Accumulated depreciation and impairment						
At 1 January 2005	–	2,302	4,188	880	680	8,050
Charge for the year	–	161	908	81	125	1,275
Disposals	–	–	(37)	–	(5)	(42)
At 31 December 2005	–	2,463	5,059	961	800	9,283
Net book value						
At 31 December 2005	64	4,250	17,160	430	689	22,593
At 31 December 2004	105	4,029	5,836	502	529	11,001

As at the balance sheet date, certain property, plant and equipment with an aggregate book value of RMB1,898,000 (2004: RMB1,807,000) were pledged as security for the Company's short-term bank loans (note 20).

15. PURCHASE DEPOSIT

On 5 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 RMB12,812,690 was paid on 22 July 2004 in this respect.

On 8 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.

15. PURCHASE DEPOSIT *(Continued)*

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 approximately 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 subjected to, among other things, the installation and testing of the equipment.

Since the terms of the acquisition had not been fulfilled as at 31 December 2004, the amount of approximately RMB12,813,000 was classified as non-current asset in the financial statements.

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

On 27 April 2005 and 16 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 approximately RMB10,250,000. The purchase of the plant and equipment was approved by the shareholders of the Company at the extraordinary general meeting on 7 December 2005.

The deposit of approximately RMB12,813,000 was repaid by the six agents to the Company on 29 April 2005. Upon the approval of the acquisition by the shareholders on 7 December 2005, the revised consideration of approximately RMB10,250,000 was paid by the Company to SHP in December 2005.

16. INVENTORIES

	2005	2004
	RMB'000	RMB'000
Raw materials	**2,535**	2,891
Work in progress	**1,827**	2,771
Finished goods	**1,360**	1,632
Low cost consumables	**188**	167
	5,910	7,461
Provision for inventory obsolescence	**(186)**	(186)
	5,724	7,275

No inventories are carried at net realisable value for both years.

17. TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	2005 RMB'000	2004 RMB'000
0 – 30 days	**4,690**	2,815
31 – 60 days	**10,011**	1,549
61 – 90 days	**1,759**	284
91 days – one year	**17,968**	13,289
One year to two years	**3,311**	2,489
Over two years	**–**	1,734
	37,739	22,160
Provision for doubtful debts	**(10,708)**	(1,508)
	27,031	20,652

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.

18. TRADE PAYABLES

Details of the ageing analysis are as follows:

	2005 RMB'000	2004 RMB'000
0 – 30 days	**6,228**	3,701
31 – 60 days	**3,816**	2,740
61 – 90 days	**1,438**	993
91 days – one year	**1,979**	3,713
Over one year	**2,267**	999
	15,728	12,146

19. OTHER PAYABLES AND ACCRUALS

Details of other payables and accruals are as follows:

	2005 RMB'000	2004 RMB'000
Advance from customers	**231**	1,301
Staff welfare payables	**474**	393
Others	**2,656**	4,104
	3,361	5,798

20. SHORT-TERM BANK LOANS

	2005 RMB'000	2004 RMB'000
Secured	**5,550**	4,900
Guaranteed by:		
– Third parties	**3,000**	3,650
	8,550	8,550

The Company's short-term bank loans of RMB5,550,000 (2004: RMB4,900,000) were secured by a pledge of certain of the Company's land use rights (note 13) together with certain property, plant and equipment (note 14) with an aggregate net book value of RMB2,564,000 (2004: RMB2,488,000).

21. DEFERRED REVENUE

Deferred revenue represents a government grant of approximately RMB1,869,000 received in two installments in 1999 and 2000 for purchase of plant and equipment. Such plant and equipment was put into operational use in 2000 and has an average useful life of 9 years. Movements of deferred revenue during the relevant years are as follow:

	2005 RMB'000	2004 RMB'000
Balance at 1 January	**830**	1,037
Transfer to income statement *(note 4)*	**(207)**	(207)
Balance at 31 December	**623**	830

22. SHARE CAPITAL AND CAPITAL RESERVE

a) Share capital

Registered, issued and fully paid:

	2005 RMB'000	2004 RMB'000
131,870,000 domestic shares of RMB0.10 each	**13,187**	13,187
55,560,000 H shares of RMB0.10 each	**5,556**	5,556
	18,743	18,743

Pursuant to a resolution of the Company's shareholders' meeting held on 10 June 2004 and the approval by the China Securities Regulatory Commission, the Company was authorised to increase its share capital to a maximum of RMB18,743,000 immediately after listing of the Company's H shares on the GEM of the Stock Exchange.

On 30 June 2004, the Company issued 55,560,000 H shares with a par value of RMB0.10 each, at a price of HK$0.54 per H share by placing and public offer.

Save for the liquidity restrictions imposed on domestic shares, all domestic shares and H shares of the Company rank pari passu in all other material respects.

b) Capital reserve

	Government grant received capitalised as share capital in the PRC GAAP financial statements RMB'000	Reversal of revaluation surplus of property, plant and equipment RMB'000	Total RMB'000
Balance at 1 January 2004	(1,037)	(1,733)	(2,770)
Appropriation from retained earnings	207	–	207
Balance at 31 December 2004 and 1 January 2005	(830)	(1,733)	(2,563)
Appropriation from retained earnings	207	–	207
Balance at 31 December 2005	(623)	(1,733)	(2,356)

22. SHARE CAPITAL AND CAPITAL RESERVE *(Continued)*

b) Capital reserve *(Continued)*

Pursuant to a shareholders' resolution in October 2000, the Company was converted from a limited liability Company into a joint stock limited liability company on 1 December 2000. The Company's registered 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.

The deficit of approximately RMB3 million in capital reserve of the Company as at 1 January 2004 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 IFRS when the conversion took place in 2000. Such excess resulted from:

i) The deferred government grant of approximately RMB1,869,000 for purchase of plant and equipment as described in note 21. In accordance with PRC accounting regulations, this government grant was recorded as capital reserve when received, which had been subsequently capitalised 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 RMB207,000 (2004: RMB207,000), which is equal to the annual amortisation 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 RMB1,038,000 arose in the Company's financial statements prepared under IFRS as at 1 January 2004 in this respect.

ii) 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.

23. STATUTORY RESERVES

Pursuant to PRC regulations and the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to statutory common reserve fund until the fund aggregates to 50% of the Company's registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

23. STATUTORY RESERVES *(Continued)*

The statutory common reserve fund shall only be used to make good previous years' losses, to expand the Company's production operations, or to increase the capital of the Company. Upon approval by a resolution of shareholders' general meeting, the Company may convert its statutory common reserve fund into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings or to increase the nominal value of each share currently held by them, provided that the balance of the reserve fund after such issue is not less than 25% of the registered capital. The Company may, at its discretion and subject to approval of its shareholders, transfer its retained earnings balance to its discretionary common reserve fund. The discretionary common reserve fund can be applied for the same purposes as those of the statutory common reserve fund.

Pursuant to the PRC regulations and the Company's Articles of Association, the Company is required to transfer 5% to 10% of its net profit, as determined under the PRC accounting regulations to the statutory common welfare fund. This fund can only be used to provide staff welfare facilities and other collective benefits to the Company's employee. This fund is non-distributable other than in liquidation.

24. RELATED PARTY TRANSACTIONS

a) Name and relationship with related parties

Name	Relationship
Huasheng Enterprises	A substantial shareholder that owns 33.77% of the Company's issued share capital
Profit Oasis International Limited	Related company with spouse of Mr. Jiang Zhi Qiang, a director of the Company, being a shareholder
Shanghai Qingpu Fire Hose Co., Ltd.	Subsidiary of Huasheng Enterprises
Shanghai Huasheng Aerosol Products Co., Ltd.	Subsidiary of Huasheng Enterprises
Shanghai High Pressure Container Co., Ltd. ("SHP")	Subsidiary of Huasheng Enterprises
Shanghai High Pressure Special Gas Cylinder Co., Ltd.	Subsidiary of Shanghai High Pressure Container Co., Ltd.
Shanghai Hua Xin Aerosol Limited Company	With same major shareholder as Huasheng Enterprises
Shanghai Huasheng Meticulous Chemical Co., Ltd.	Subsidiary of Shanghai Hua Xin Aerosol Limited Company

24. RELATED PARTY TRANSACTIONS *(Continued)*

b) Transactions with related parties

	2005	2004
	RMB'000	RMB'000
Sales of goods:		
– Shanghai Huasheng Aerosol Products Cp., Ltd.	**28**	8
– Shanghai Huasheng Polymer Co., Ltd.	**–**	3
– Shanghai High Pressure Special Gas Cylinder Co., Ltd.	**199**	273
– SHP	**989**	844
– Shanghai Huasheng Meticulous Chemical Co., Ltd.	**19**	6
– Shanghai Qingpu Fire Hose Co., Ltd.	**5**	–
– Profit Oasis International Limited	**–**	9,530
	1,240	10,664
Export agency commission:		
– Huasheng Enterprises	**306**	744
Provision of processing services:		
– Shanghai High Pressure Special Gas Cylinder Co., Ltd.	**–**	2,531

In December 2002, an agreement was entered into between the Company and Huasheng Enterprises pursuant to which the Company has appointed the latter as the export sales agent for its fire extinguisher and other cylinder products for a period of 3 years effective from 1 January 2003. Since the effective date of this agreement, the Company exports its products to overseas customers through Huasheng Enterprises and has ceased selling such products to Huasheng Enterprises. Under this agreement and a supplementary agreement entered into in November 2003, Huasheng Enterprises was entitled to an export agency commission calculated at 3% of the contract value of the goods exported, which amounted to approximately RMB306,000 during the year (2004: RMB744,000). Pursuant to these agreements, the Company is entitled to all refunds of VAT for export sales.

During the year ended 31 December 2004, there were export sales of RMB9,530,000 by the Company to Profit Oasis International Limited ("Profit Oasis"), a company in which a spouse of a Director of the Company is a shareholder, as part of export sales through Huasheng Enterprises pursuant to the export sale agency agreements.

In the opinion of the Company's directors, the export sales agency agreements with Huasheng Enterprises and the sales and processing services provided to related parties are carried out in the normal course of business of the Company and at rates and terms comparable with those charged to and contracted with independent third parties.

24. RELATED PARTY TRANSACTIONS *(Continued)*

b) Transactions with related parties *(Continued)*

	2005 RMB'000	2004 RMB'000
Purchase of raw materials:		
– Huasheng Enterprises	–	1,723
– SHP	968	1,005
– Shanghai Huasheng Meticulous Chemical Co., Ltd.	7	–
– Shanghai High Pressure Special Gas Cylinder Co., Ltd.	69	292
– Shanghai Hua Xin Aerosol Limited Company	–	26
– Shanghai Qingpu Fire Hose Co., Ltd.	100	51
	1,144	3,097
Purchase of property, plant and equipment:		
– SHP *(note 15)*	10,250	–
– Shanghai Hua Xin Aerosol Limited Company	–	440
	10,250	440
Technical support expenses		
– Huasheng Enterprises	200	–

In the opinion of the Directors, the purchase of raw materials and property, plant and equipment from related parties were carried out in the normal course of business of the Company and at prices and terms comparable with those charged by and contracted with third parties.

24. RELATED PARTY TRANSACTIONS *(Continued)*

c) Balances with related parties

	2005 RMB'000	2004 RMB'000
Purchase deposit paid to agents of SHP *(note 15)*	–	12,813
Amounts due from related parties		
– Shanghai High Pressure Special Gas Cylinder Co., Ltd.	2,755	2,646
– Shanghai Huasheng Aerosol Products Co., Ltd.	36	19
– Shanghai Qingpu Fire Hose Co., Ltd.	299	166
– Profit Oasis International Limited	–	8,358
	3,090	11,189
Amounts due to related parties		
– SHP	927	833
– Shanghai Huasheng Meticulous Chemical Co., Ltd.	12	32
– Shanghai Hua Xin Aerosol Limited Company	220	19
	1,159	884
Amount due to a shareholder		
– Huasheng Enterprises	755	973

Other than the purchase deposit paid to agents of SHP, the above balances with related parties mainly arose from the above-mentioned sales and purchase transactions. These balances are unsecured, interest free and had no fixed term of repayment.

d) Rental of land and buildings from Huasheng Enterprises

Pursuant to an operating lease agreement executed in October 2002, the Company leased the New Ji He Road Plant and the related land use right from Huasheng Enterprises for a period of three years commencing from 30 October 2002 at a monthly rental of RMB20,468. The operating lease agreement was renewed in October 2005 for a period of three years commencing from 30 October 2005 at a monthly rental of RMB20,468. Total rental paid to Huasheng Enterprises amounted to approximately RMB246,000 during the year ended 31 December 2005 (2004: RMB246,000).

In the opinion of the Company's Directors, the leasing arrangement with Huasheng Enterprises is made in the normal course of business of the Company, and the monthly rental is determined at rates and terms comparable with those charged to and contracted with independent third parties.

25. COMMITMENTS

a) Capital commitments

As at 31 December 2005, the Company had no capital commitments (2004: Capital commitments of RMB12,813,000 for the acquisition of certain plant and equipment from SHP as disclosed in note 15 to the financial statements).

b) Operating lease commitments

As at 31 December 2005 and 31 December 2004, the total future minimum lease payments in respect of non-cancelable operating leases for land and buildings are as follows:

	2005	2004
	RMB'000	RMB'000
Not later than 1 year	**246**	204
Later than 1 year and not later than 5 years	**450**	–
	696	204

26. FINANCIAL INSTRUMENTS

a) Fair values

The carrying amounts of the cash and bank deposits, trade and other receivables and payables, and short-term bank loans and balances with related parties approximate their fair values because of the short maturity of these instruments.

b) Credit risk

The Company has no significant concentration of credit risk with any single counter parties or group of counter parties having similar characteristics, other than the receivables from the subsidiaries and affiliated companies of Huasheng Enterprises (note 24(c)). Transactions with the subsidiaries and affiliated companies are entered into in the normal course of business. Credit risks associated with these transactions are closely monitored by management of the Company. In the opinion of the Directors of the Company such concentration of credit risk on Huasheng Enterprise and its subsidiaries and affiliated companies would not result in significant credit default exposure to the Company as at 31 December 2005.

The carrying amount of cash and bank deposits, trade and other receivables, deposits and prepayments, and balances with related parties represented the Company's maximum exposure to credit risk in relation to financial assets.

c) Interest rate risk

The interest rates and terms of repayments of short-term bank loans are disclosed in note 20. The Company does not have substantial interest-bearing assets.

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

26. FINANCIAL INSTRUMENTS *(Continued)*

d) Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments over the next year in accordance with its strategic plan.

e) Foreign exchange risk

Prior to January 2003, the Company did not have material foreign exchange risk. It did not have material transactions in foreign currency, nor did it enter into any foreign exchange forward contracts.

As explained in note 24(b) effective from 1 January 2003, the Company started 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 31 December 2005 would not result in significant exchange loss to the Company.

27. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

SUMMARY OF FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2005

RESULTS

	Year ended 31 December			
	2002	2003	2004	**2005**
	RMB'000	RMB'000	RMB'000	**RMB'000**
	(Note 1)	*(Note 1)*		
Turnover	45,308	48,372	56,050	**66,164**
Profit/(loss) from operations	13,622	9,521	9,714	**(13,030)**
Finance costs	(765)	(660)	(543)	**(577)**
Profit/(loss) before taxation	12,857	8,861	9,171	**(13,607)**
Taxation (charge)/credit	(4,167)	(2,837)	(2,939)	**3,695**
Profit/(loss) attributable to shareholders	8,690	6,024	6,232	**(9,912)**

ASSETS AND LIABILITIES

	As at 31 March			
	2002	2003	2004	**2005**
	RMB'000	RMB'000	RMB'000	**RMB'000**
	(Note 1)	*(Note 1)*		
Non-current assets	11,676	12,360	25,425	**23,409**
Current assets	35,674	37,021	56,356	**44,620**
Current liabilities	28,545	28,236	33,186	**29,553**
Non-current liabilities	1,245	1,037	830	**623**

Notes:

(1) The results and assets and liabilities of the Company for the two year ended 31 December 2003 have been extracted from the prospectus of the Company dated 18 June 2004.