



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



## Third Quarterly Report 2006

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

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*This report, for which the directors of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- Achieved a turnover of approximately RMB31,946,000 for the nine months ended 30 September 2006, representing an approximately 33% decrease as compared with that of the corresponding period in 2005
- Net loss of approximately RMB1,306,000 for the nine months ended 30 September 2006
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2006



## Quarterly Results (Unaudited)

The Board of Directors (the "Board") of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") is pleased to announce the unaudited results of the Company for the nine months ended 30 September 2006 together with the unaudited comparative figures for the corresponding period in 2005, as follows:

	Notes	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	3	<b>31,946</b>	47,496	<b>11,864</b>	12,560
Cost of sales		<b>(28,155)</b>	(39,665)	<b>(10,487)</b>	(10,857)
Gross profit		<b>3,791</b>	7,831	<b>1,377</b>	1,703
Other revenues	3	<b>2</b>	5	<b>-</b>	1
Subsidy income	4	<b>156</b>	156	<b>52</b>	52
Distribution costs		<b>(1,859)</b>	(2,302)	<b>(511)</b>	(604)
Administrative expenses		<b>(2,793)</b>	(3,491)	<b>(787)</b>	(179)
Operating (loss)/profit		<b>(703)</b>	2,199	<b>131</b>	973
Finance costs	5	<b>(603)</b>	(1,124)	<b>(220)</b>	(790)
(Loss)/profit before taxation		<b>(1,306)</b>	1,075	<b>(89)</b>	183
Taxation	6	<b>-</b>	(289)	<b>-</b>	(39)
(Loss)/profit attributable to shareholders		<b>(1,306)</b>	786	<b>(89)</b>	144
(Loss)/earnings per share (RMB)	7	<b>(0.007)</b>	0.004	<b>(0.001)</b>	0.001

Notes:

## 1. GENERAL

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China ("PRC") on 1 December 2000 and its H shares were listed on the GEM on 30 June 2004. The Company is principally engaged in manufacturing and sale of fire-fighting equipment and pressure cylinders.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") No. 34 "Interim Financial Reporting" and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the Rules Governing the Listing of Securities on GEM. The financial information has been prepared under the historical cost convention.

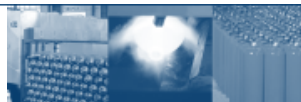
In the current period, the Company has adopted, for the first time, the following IFRSs and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, which are effective for the accounting year commencing on or after 1 January 2006:

IAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
IAS 19 (Amendment)	Employee Benefit
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
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

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

The condensed financial statements for the three months and nine months ended 30 September 2006 are unaudited, but have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those described in the 2005 annual financial statements.



### 3. TURNOVER

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

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

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover:				
Sale of goods	31,946	47,496	11,864	12,560
Provision of processing services	–	–	–	–
<b>Total turnover</b>	<b>31,946</b>	<b>47,496</b>	<b>11,864</b>	<b>12,560</b>
Interest income	2	5	–	1
<b>Total revenues</b>	<b>31,948</b>	<b>47,501</b>	<b>11,864</b>	<b>12,561</b>

### 4. SUBSIDY INCOME

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Amortisation of government grant received relating to purchase of plant and equipment	156	156	52	52

### 5. FINANCE COSTS

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Interest expenses on bank loans repayable within 5 years	526	427	214	161
Exchange loss	73	693	5	627
Others	4	4	1	2
<b>Total</b>	<b>603</b>	<b>1,124</b>	<b>220</b>	<b>790</b>

## 6. TAXATION

The Company is subject to the enterprise income tax rate of 15% on the assessable profit for the Relevant Periods in accordance with the income tax law of the PRC.

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

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Current taxation	-	221	-	(29)
Deferred tax charge	-	68	-	68
<b>Tax charge</b>	<b>-</b>	<b>289</b>	<b>-</b>	<b>39</b>

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

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Deferred tax assets, beginning of the period	-	777	-	777
Deferred tax charged to income statement	-	(68)	-	(68)
<b>Deferred tax assets, end of the period</b>	<b>-</b>	<b>709</b>	<b>-</b>	<b>709</b>

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

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
(Loss)/profit before taxation	(1,306)	1,075	(89)	183
Tax at the applicable tax rate of 15% (2005: 33%)	(196)	(355)	(13)	61
Income that are not subject to tax and expenses that are not deductible for tax purposes:				
– Amortization of government grant relating to purchase of plant and equipment	-	(51)	-	(17)
– Others	196	(15)	13	(5)
<b>Tax charge</b>	<b>-</b>	<b>289</b>	<b>-</b>	<b>39</b>



## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the nine months ended 30 September 2006 was based on the loss attributable to shareholders of RMB1,306,000 (profit attributable to shareholders for nine months ended 30 September 2006: RMB786,000), and the weighted average number of approximately 187,430,000 ordinary shares (30 September 2006: 187,430,000) in issue during the period.

Diluted earning per share have not been calculated, as there were no dilutive potential ordinary shares during the Relevant Periods.

## Interim Dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (2005: Nil).

## Unaudited Movement of Reserves

There was no movement of reserves for the relevant periods in 2006 and 2005 except those disclosed as below:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory common reserve fund RMB'000	Discretionary common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
Nine months ended 30 September 2005								
Balance at 1 January 2005	18,743	10,910	(2,563)	1,867	1,500	1,867	15,441	47,765
Net profit for the period	-	-	-	-	-	-	786	(786)
Appropriation	-	-	156	-	-	-	(156)	-
Balance at 30 September 2005	18,743	10,910	(2,407)	1,867	1,500	1,867	16,071	48,551

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory common reserve fund RMB'000	Discretionary common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
Nine months ended 30 September 2006								
Balance at 1 January 2006	18,743	10,910	(2,356)	1,867	1,500	1,867	5,322	37,853
Net loss for the period	-	-	-	-	-	-	(1,306)	(1,306)
Appropriation	-	-	-	-	-	-	-	-
Balance at 30 September 2006	18,743	10,910	(2,356)	1,867	1,500	1,867	4,016	36,547



## Business Review

For the nine months ended 30 September 2006, the Company has accomplished a revenue of approximately RMB31,946,000, representing a 33% decrease compared with the corresponding period of last year. A loss of RMB1,306,000 was recorded in the current period while a profit of RMB786,000 was noted last year.

During the period under review, increase in raw materials purchase prices and fluctuation in exchange rates had reduced the profit margin of many orders. The management of the Company had eventually given up such orders, thus decreased the sales of the products when compared with the corresponding period last year.

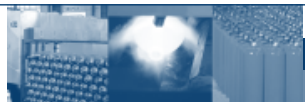
With the PRC's policy of continuously strengthening and enforcing laws and regulations in respect of fire prevention and fighting, the demand for fire prevention and fighting system will continue to grow in the foreseeable future which will generate great business opportunities to the Company. The Company has obtained various certificates recognized by many European countries and the United States, while the foreign customers has great confidence towards the Company, so, notwithstanding the temporary increase in the raw materials prices and the fluctuation in exchange rate, overseas market is still the main source of the sales of the Company. The Board of the Company is confident that, with the Company's expertise, management strengths, sales and marketing abilities, the Company is able to achieve better results and rapid growth in the coming future. The Company will become a major enterprise in the manufacture and sale of fire fighting equipment in the PRC and worldwide.

## Directors' and Supervisors' interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2006, the interests and short positions of the Directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

### Long positions in shares of the Company

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



*Notes:*

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

Save as disclosed above, as at 30 September 2006, none of the Directors and supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

### **Substantial Shareholders' and Other Persons' interests and Short Positions Shares, Underlying Shares and Debentures**

As at 30 September 2006, the following persons (other than the Directors and supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

*Note:*

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

Save as disclosed above, as at 30 September 2006, 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.

## **Auction of the shares held by the Controlling Shareholder**

On or about 25 June 2004, Shanghai Huasheng Enterprises (Group) Company Limited (“Shanghai Huasheng”), the Controlling Shareholder of the Company, entered into a guarantee in favour of Zhejiang Mechanical Devices Import and Export Company Limited (the “Creditor”) to guarantee payment by Shanghai Dazhi Enterprise Development Company Limited (“Shanghai Dazhi”) of US\$3 million credit facility given by the Creditor to Shanghai Dazhi in the course of its business. Shanghai Dazhi defaulted in the repayment of the amount owed to the Creditor. As a result, the Creditor commenced legal proceedings against Shanghai Dazhi and the Controlling Shareholder for the recovery of the outstanding amount. The 63,300,000 shares of the Company owned by the Controlling Shareholder (the “Auction shares”), were then frozen by the Hangzhou People’s Court on or about 16 November 2004 pending outcome of the action. Subsequent to the granting of the Judgment, a notice for the first auction of the Auction Shares was issued by the Hangzhou People’s court on 12 May 2006. Should the Auction Shares be sold to any party other than the Controlling Shareholder, the acquisition of the Auction Shares would result in a change in control of the Company and a general offer will be extended by the buyer of the Auction Shares for all the issued shares of the Company (other than those owned or agreed to be acquired by the buyer) in accordance with the Hong Kong Coded on Takeovers and Mergers.

The first auction and the second auction of the Auction Shares have been conducted on the 31 May 2006 and 29 June 2006 respectively. However, none of the Auction Shares has been sold during the First Auction and the Second Auction. As at 30 September 2006, no date has been set for any further auction of the Auction Shares. The Company will make further announcement(s) in relation to auction of the Auction Shares as and when appropriate to keep shareholders of the Company informed.

## **Interest in Competitors**

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

## **Compliance Advisor’s Interests**

As updated and notified by the Company’s compliance advisor, Hantec Capital Limited (“Hantec Capital”), neither Hantec Capital nor its directors, employees or associates had any interest in the share capital of the Company as at 30 September 2006 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

## **Audit Committee**

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee on 10 June 2001 according to “A Guide For The Formation of An Audit Committee” compiled by the Hong Kong Society of Accountants. In compliance with Rules 5.29 and 5.33 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and monitor the Company’s financial reporting process and internal control system. The audit committee members are Mr. Li Long Ling, Mr. Chen Wen Gui and Mr. Yang Chun Bao, who are independent non-executive directors of the Company.



The audit committee has reviewed with management the unaudited third quarterly report for the nine month ended 30 September 2006.

### **Compliance with Code on Corporate Governance Practices**

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

### **Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the period ended 30 September 2006.

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

During the period ended 30 September 2006, the Company has not purchased, sold or redeemed any of the Company's listed shares.

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

Shanghai, the PRC, 14 November 2006

As at the date hereof, the Board comprises:

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