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 2010

* For identification purposes only

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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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Jin Hui
Mr. Zheng Yi Song
Mr. Rao Jun Xi
Mr. Chen Shi Da
Mr. Hu Jing Hai

Non-Executive Directors

Ms. Chai Xiao Fang
Mr. Gong Xu Lin
Ms. Wang Xiang

Independent Non-Executive Directors

Mr. Chen Wen Gui
Mr. Wang Guo Zhong
Mr. Yang Chun Bao
Mr. Zhang Cheng Ying

AUDIT COMMITTEE

Ms. Chai Xiao Fang
Mr. Yang Chun Bao
Mr. Zhang Cheng Ying

AUTHORISED REPRESENTATIVE

Mr. Wong Kwan Pui

COMPANY SECRETARY

Mr. Wong Kwan Pui

AUDITORS

Ascenda Cachet CPA Limited

PRINCIPAL BANKERS

China Construction Bank Huaxin Sub-branch
Shanghai Rural Commercial Bank Co., Ltd Chonggu branch

H SHARE SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

1988 Jihe Road
Hua Xin Town
Qingpu District, Shanghai
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2605, Island Place Tower
510 King's Road
North Point Hong Kong

CHAIRMAN'S STATEMENT

RESULTS FOR THE YEAR

For the year ended 31 December 2010, the Company recorded total revenue of RMB21,362,000 and profit attributable to the shareholders of RMB22,473,000. The Company's revenue was derived principally from its sale of fire extinguishers, and fire extinguisher cylinders in the PRC (excluding Hong Kong) and pressure cylinders to overseas.

SALES

The Company's revenue increased by RMB997,000 from RMB20,365,000 in 2009 to RMB21,362,000 in 2010.

OUTLOOK

The development of the PRC's real estate industry remains stable under the influence of the Chinese traditional idea of purchasing housing. In addition, various regions in the PRC have seen fires accidents, heightening public's awareness towards fire prevention. The enforcement of State policies and strict fire regulations also lift the demand for fire prevention products and fire fighting systems, indicating a prosperous prospect. Hence, the Company endeavours to develop products of different models and expand customer resources in order to increase the markets share of fire safety and fire fighting systems.

FUTURE PLAN

The Company plans to recruit industry and management talents to cement internal management, integrate production lines to develop new products, strengthen operating efficiency and lower production costs. The Company will develop various business channels to improve the Company's performance, focusing on the development of domestic operating networks and export agents. The Company will also expand customer resources to expand production, sharpening its competitive edge and utilization of facilities.

LONG TERM STRATEGY

We believe that we, with our experienced management team, firm and clear development directions, the manufacturing of quality products and the provision of quality services, will be able to sharpen our competitive edge. If suitable opportunities arise, the Company will prudently consider using channels that increase capital legally to acquire relevant enterprises which possess sound profitability in order to accelerate the growth of our profitability so that the Company will become a major enterprise in the manufacturing and sale of fire-fighting equipment and relevant business in the PRC and overseas.

OUR PEOPLE

The Company will further optimize its staff structure. The Board would like to express gratitude to the employees of the Company for their invaluable contribution to the business.

DIRECTORS

My thanks go to the Directors for their professional work. The Board will endeavour to work professionally and painstakingly for achieving prosperous performance of the Company in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Total revenue of the Company increased from RMB20,365,000 in the year 2009 to RMB21,362,000 in the year 2010 (representing an increase of 5%). The increase was mainly attributable to the effective strategy adopted by the management to cope with changes in the market.

COST OF SALES

For the year ended 31 December 2010, the cost of sales of the Company amounted to approximately RMB19,992,000 (2009: RMB19,323,000), representing a year-on-year increase of 3%. The main components of cost of sales for the Company include raw materials, especially steel pipes, and labour cost.

GROSS PROFIT

For the year ended 31 December 2010, the gross profit of the Company amounted to approximately RMB1,370,000. Marginal profit for the year ended 31 December 2010 increased to approximately 6.4% when compared with approximately 5.1% for the year ended 31 December 2009. The increase is mainly attributable to the management's exercise of cost control.

OTHER INCOME

For the year ended 31 December 2010, the other income of the Company decreased to approximately 5,464,000 when compared with approximately 12,519,000 for the year ended 31 December 2009. The decrease in other income is mainly attributable to a decrease in non-recurring reversal of payables from RMB3,848,000 for the year 2009 to RMB10,000 for the year 2010, and a decrease in non-recurring reversals of receivables payable to former controlling shareholders from RMB7,377,000 for the year to RMB4,722,000 for the year 2010.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2010, administrative expenses for the Company amounted to approximately RMB7,141,000, representing a year-on-year increase of 21.6%. The Directors believe the increase was mainly attributable to legal and professional expenses in relation to listing in Hong Kong and expenses for resumption of trading.

FINANCE COSTS

For the year ended 31 December 2010, finance costs amounted to approximately RMB803,000, derived mainly from interest expenses of bank loans.

PROFIT FOR THE YEAR

For the year ended 31 December 2010, the profit for the year of the Company amounted to approximately RMB22,473,000 (2009: RMB6,195,000), representing a year-on-year increase of 262.8%. The surge in profit was mainly attributable to a reversal in the impairment loss on reimbursement receivables for loss on financial guarantee of approximately RMB23,940,000.

MANAGEMENT DISCUSSION AND ANALYSIS

TAXATION

Pursuant to the income tax rules and regulations of PRC, The Company is liable to PRC corporate income tax at a rate of 25% on its assessable profits.

No provision has been made for PRC corporate income tax for the year as there are available tax losses brought forward from previous year to offset the current year's assessable profits in the PRC.

The Company did not provide for deferred tax on loss on taxation as the uncertainty in future profitability of the Company.

THE INTERNATIONAL MARKET OF HIGH PRESSURE CYLINDERS

The gas application technology has reached rather high standard in developed countries, yet it is still hovering at an initial stage in the PRC. So far, there are more than 130 varieties of gases for cylinder inflation worldwide, and approximately 80 varieties of gases are used for cylinder inflation in the PRC. The production capacity of relatively large-scale cylinder manufacturers in the world has reached 2 to 3 million cylinders per year, while the largest cylinder manufacturer in the PRC is merely able to produce 500,000 to 600,000 cylinders per year. In terms of total industrial output, the output of gas industry in the PRC was RMB13 billion in the year 2000, which is expected to amount to RMB30 billion in the year 2010. The PRC recorded a sales volume of 840,000 in high pressure seamless cylinders in the year 2000, with sales amount reaching RMB350 million, and the sales volume of high pressure seamless cylinders in the PRC surged to 1.9 million in the year 2009. The ownership of seamless cylinders in the world has reached approximately 200 million at present. Given the relatively low price of seamless cylinders in the PRC, the demand of the PRC's seamless cylinders from the international market is expected to increase, with the volume escalating at a rate of 50,000 to 100,000 cylinders per year.

THE DOMESTIC FIRE EXTINGUISHER MARKET

The fire extinguisher industry in the PRC pocketed a sales revenue of RMB3.91 billion in the year 2005, and that in the year 2006 amounted to RMB4.21 billion, representing a year-on-year increase of 7.67%. In the year 2007, the sales revenue of the fire extinguisher in the PRC exceeded RMB4.5 billion, representing an increase of 7.60% with that of 2006. With the increasing attention attached from the PRC government on the fire-fighting industry, the fire extinguisher industry will experience new opportunities and considerable development prospects.

OUTLOOK

The demand for fire-safety and fire-fighting systems will keep lifting in the PRC against the backdrop of the rapid development of the PRC's real estate industry and the enhanced laws on fire-fighting. The volume of fire-fighting equipment procurement in the PRC from other countries in the world has been soaring as well. In addition to fire-fighting equipment, the gas cylinder products of the Company can also be applied to many other industries such as medical treatment, automobile and environmental protection, indicating a prosperous prospect. The Company is also endeavouring to develop new products and expand customer resources.

FUTURE PLAN

The Company intends to cement internal management, strengthening operating efficiency, develop new products and control production costs. Efforts will be made to develop domestic operating networks and export agents, with an aim to expand sales. Upon sharpening the competitive edge and expanding customer resources, the Company will also increase equipment utilisation and expand production. The Company will conduct its business in multiple channels, including expanding product mix and develop fire-safety engineering business, to improve its performance.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCE

The cash and cash equivalents of the Company increased from approximately RMB471,000 for the year 2009 to RMB11,770,000 for the year 2010. The increase was mainly attributable to contribution of approximately RMB24,000,000 from the direct shareholding company as operating capital.

Borrowings and banking facilities

As at 31 December 2009, the Company had short-term borrowings of the approximately RMB24,650,000. The Company has settled all the bank borrowings and facilities for the year.

Gearing ratio

The Company's gearing ratio, which was expressed as a percentage of the total bank borrowings over total assets, as at 31 December 2010 was 0% (2009: 61.8%).

Capital structure and financial resources

As at 31 December 2010, the Company had net asset value of approximately RMB17,339,000 (2009: net liabilities of RMB29,666,000). The Company's operations and investments are financed principally by internal resources, bank borrowings and shareholders' equity.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2010, the Company did not have any significant investment (2009: Nil).

EMPLOYEES

As at 31 December 2010, the Company had 139 employees (2009: 133 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.

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.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Jin Hui, aged 41, is the director of Liancheng Fire Protection Group (Hong Kong) Company Limited (“Liancheng HK”), Liancheng Fire-Fighting Group Company Limited (聯城消防集團股份有限公司) (“Liancheng”), Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. (浙江恒泰房地產股份有限公司) (“Hengtai Real Estate”) and Jiangshan Construction Decoration Engineering Ltd. (江山市建築裝飾配套工程有限公司) (“Jiangshan Construction”). Liangcheng is the beneficial owner of 131,870,000 domestic shares and Liancheng HK is the beneficial owner of 1,300,000 H shares of the Company. Liancheng HK is wholly owned by Liancheng, which is then owned by Hengtai Real Estate and Jiangshan State-owned Assets Management Limited (江山市國有資產管理有限公司) as to 80% and 20% respectively. Hengtai Real Estate is owned by Mr. Zhou as to 58%. By virtue of Mr. Zhou’s indirect interest in the Company, Mr. Zhou is deemed to be interested in the same 131,870,000 domestic shares held by Liancheng and 1,300,000 H shares held by Liancheng HK under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). Mr. Zhou established Jiangshan Hengtai Real Estate Co., Ltd. (江山市恒泰房地產有限公司) in 1998 which was converted into Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. in 2003. Prior to this, he established Jiangshan Construction Decoration Engineering Ltd. (江山市建築裝飾配套工程有限公司) in 1996. Mr. Zhou completed the Business Administration Programme in the International Business University of Beijing (北京國際商務學院) and the training program for senior manager in Tsinghua University. In addition, he holds the degree of Master of Business Administration from the University of Management and Technology, Commonwealth of Virgina, the United States of America. Mr. Zhou joined the Company on 30 July 2009.

Mr. Zheng Yi Song, aged 51, is the deputy general manager of Hengtai Real Estate. Prior to working in Hengtai Real Estate, he has worked in Jiangshan City Water Plant (江山市自來水廠) as factory manager, and in Jiangshan City Guaju Equipment Factory Company Limited (江山市蝸居工器材廠有限公司) as the general manager. Mr. Zheng completed the training program for senior manager in Tsinghua University in 2007. In addition, he completed an executive training program in Jiangshan Municipal Party School of the Communist Party of China (中共江山市委黨校). Mr. Zheng is an assistant engineer and assistant economist as registered under the government of Jiang Shan City. Mr. Zheng joined the Company on 30 July 2009.

Mr. Hu Jing Hai, aged 36, is the general manager of Shanghai Petrochemical Firefighting Engineering Co., Ltd. (上海石化消防工程有限公司). Prior to this, he was the vice manager of the news center of the website of China Firefighting (中國消防網站新聞中心), the chief editor of the website of China Water Firefighting (中國水上消防網), the executive of the science education committee (科普教育工作委員會) of China Firefighting Association (中國消防協會). Mr. Hu obtained his bachelor’s degree of sports news (體育新聞) from Shanghai University of Sport (上海體育學院). Mr. Hu joined the Company on 30 July 2009.

Mr. Chen Shi Da, aged 51, is the deputy general manager of the Company since 2007. Prior to his employment with the Company, he was a finance supervisor in Shanghai Huasheng Enterprises (Group) Company Limited (上海華盛企業(集團)有限公司) ("Shanghai Huasheng"), Shanghai Tianhai High Pressure Container Co., Ltd. (上海天海高壓容器有限公司) and Shanghai Qingpu District Dianshan Lake Beverage Factory (上海青浦區淀山湖飲料廠), and was a finance supervisor, financial controller and deputy general manager of Shanghai High Pressure Container Co., Ltd. (上海高壓容器有限公司). Mr. Chen completed the Accounting and Finance Programme in Shanghai TV Secondary Specialized School (上海市電視中等專業學校). He is recognized by Qingpu Transportation Bureau Accounting Sector (Junior Level) Professional Technical Duties Assessment Committee (青浦交通局會計系列(初級)專業技術職務評審委員會) as an assistant accountant. Mr. Chen joined the Company in 7 August 2009.

Mr. Rao Jun Xi, aged 44, is the general manager of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. (浙江恆泰房地產股份有限公司) ("Hengtai Real Estate") and the deputy general manager of Liancheng Fire-Fighting Group Company Limited (聯城消防集團股份有限公司) ("Liancheng"). Mr. Rao is also a director of Hengtai Real Estate and Liancheng. Mr. Rao completed the secretarial programme in Wenzhou University (溫州大學), and holds a master's degree in economic management from Zhejiang Normal University (浙江師範大學). Prior to working in Hengtai Real Estate, he worked at Bureau of Urban Planning of Jiangshan City in Zhejiang Province (浙江省江山市規劃建設局) as secretary, officer and vice chief of the Property Management Division. In addition, he worked in government of Xujiang Town under Jiangshan City, Zhejiang Province (浙江省江山市須江鎮政府) as mayor of the town. Mr Rao joined the Company on 12 October 2009.

NON-EXECUTIVE DIRECTORS

Mr. Gong Xu Lin, aged 37, is the manager of Liancheng Fire-Fighting Group Company Limited (聯城消防集團股份有限公司) ("Liancheng"). Prior to working with Liancheng, he has been an executive of the Bureau of Justice in Jiangshan City (江山市司法局). Mr. Gong graduated from Zhejiang Law School (浙江法律學校) and completed the law programme jointly organized by China Central Radio& TV University (中央廣播電視大學) and China University of Political Science and Law (中國政法大學). Mr. Gong joined the Company on 7 August 2009.

Ms. Chai Xiao Fang, aged 48, is the financial controller and deputy general manager of Hengtai Real Estate. Ms. Chai completed the training programs for senior manager and financial controller in Tsinghua University in 2006. In addition, she completed the accountancy program in Zhejiang Province. Zhonghua Accountancy College (浙江省中華會計函授學院), the economic and management program in Hangzhou University (杭州大學), and the law program in China University of Geosciences (中國地質大學). Ms. Chai joined the Company on 30 July 2009.

Ms. Wang Xiang, aged 50, is the chief financial controller and deputy general manager of Shanghai Huasheng. Prior to working in Shanghai Huasheng, Ms. Wang was the chief accountant and assistant to the general manager of Shanghai Moshida Enterprise Development Company Limited (上海魔士達企業發展有限公司). Ms. Wang completed the Economic Management Programme (經濟管理) in Nanjing Institute of Political Studies of the People's Liberation Army of China (中國人民解放軍南京政治學院), holds the degree of Master of Business Administration from InterAmerican University and the professional postgraduate degree of Management Science and Engineering (管理科學與工程) from Shanghai University (上海大學). She is a certified internal auditor under China Institute of Internal Audit (中國內部審計協會) and a qualified accountant under Shanghai Light Industry Bureau Intermediate Accounting Sector (上海市輕工業局會計系列中級). She is also a certified senior business operator recognized by the Occupational Skill Testing and Instruction Centre of China (中國商業職業技能鑒定指導中心) and the State Senior Business Operator Assessment Committee (全國高級經營師評審委員會). She is a qualified Chinese Certified Public Accountant as recognized by the Ministry of Finance Chartered Public Accountant Examination Committee (財政部註冊會計師考試委員會). She joined the Company in January 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Cheng Ying, aged 65, was Secretary for the Zhejiang Provincial State-owned Assets Supervision and Administration Commission (浙江省國有資產管理局), and the commissioner and deputy commissioner of the Ministry of Finance (財政部), and has various working experience in the government departments of the People's Republic of China (including Province Civil Air Defence Office (省人民防空辦公室) and Finance Department of Zhejiang Province Finance Supervisory Commissioner Office (財政部駐浙江省財政監察專員辦事處)) during the years from 1971 to 2005. Mr. Zhang is also the independent director of two other companies listed on the Shenzhen Stock Exchange, namely China Garments Company Limited (中國服裝股份有限公司) and SOYEA Technology Co., Ltd (數源科技股份有限公司). Mr. Zhang completed the Industrial and Electrical Automation Programme (工業電氣自動化) in Zhejiang University (浙江大學). Mr. Zhang joined the Company on 7 August 2009.

Mr. Chen Wen Gui, aged 78, graduated from Tsinghua 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 Fire Prevention and Fighting Association of the PRC (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, aged 54, 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, aged 52, graduated from Shanghai Fudan University with a bachelor degree in law in April 1983. Mr. Wang is currently an officer of Shanghai Golden Horse Law Firm (上海金馬律師事務所). Mr. Wang was appointed as an independent non-executive Director in October 2000.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Wong Kwan Pui, aged 51, is the qualified accountant and company secretary of the Company. Mr. Wong is a graduate of the Hong Kong Polytechnic University in Accounting. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 30 years of experience in international accounting and auditing, financial planning and management. Mr. Wong joined the Company on 12 May 2006.

Supervisors

In accordance with Articles 124 of the Company's Articles of Association, two-thirds of Supervisors shall be elected at general meetings of the Company for a term of three years. The former Supervisors, Mr. Tang Cheng, Mr. Wang Kou Cheng and Mr. Liu Xiong De, have all resigned from their positions. New appointment of Supervisors is subject to the election at the Company's general meetings.

COMPLIANCE OFFICER

As at 31 December 2010, the Company's compliance officer was Mr. Rao Jun Xi, who is also an executive Director.

Senior Management

Mr. Mao Qian Meng, aged 56, is the Company's deputy general manager. He was the general manager of Xinjiang Yinjian Fire-fighting Equipment Factory (新疆銀劍消防器材廠) and Zhejiang Jiangshan Fire-fighting Equipment Factory (浙江江山市消防器材廠). He joined the Company as deputy general manager in May 2009.

CORPORATE GOVERNANCE REPORT

Pursuant to rule 18.44(2) and Appendix 16 of the GEM Listing Rules, the Company wishes to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in the Appendix 15 of the GEM Listing Rules during the year.

(1) CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Company. The Company has applied in Appendix 15 of the GEM Listing Rules with these objectives in mind.

(2) DIRECTORS' SECURITIES TRANSACTIONS

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 the directors of the Company, all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors.

BOARD OF DIRECTORS

The Board comprises of 12 members, including five executive Directors, Mr. Chen Shi Da, Mr. Hu Jing Hai, Mr. Zheng Yi Song, Mr. Zhou Jin Hui and Mr. Rao Jun Xi, three non-executive Directors, Ms. Chai Xiao Fang, Mr. Gong Xu Lin and Ms. Wang Xiang, and four independent non-executive Directors, Mr. Chen Wen Gui, Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying. Their term of office will end upon the conclusion of next annual general meeting of the Company.

The Board conducted four meetings in 2010 to discuss and decide on development strategies, critical operational matters, financial affairs and other matters stipulated in the articles of association of the Company. The following table sets out the attendance of Directors' meetings in 2010 in details:

Directors		**Number of Meetings/Attendance**
Executive Directors	Zhou Jin Hui	4/4
	Zheng Yi Song	4/4
	Hu Jing Hai	4/4
	Chen Shi Da	4/4
	Rao Jun Xi	4/4
Non-executive Directors	Chai Xiao Fang	4/4
	Gong Xu Lin	4/4
	Wang Xiang	4/4
Independent non-executive Directors	Wang Guo Zhong	4/4
	Chen Wen Gui	4/4
	Yang Chun Bao	4/4
	Zhang Cheng Ying	4/4

CHAIRMAN AND GENERAL MANAGER

During the year 2010, Mr. Zhou Jin Hui and Mr. Zheng Yi Song is chairman 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.

EMOLUMENTS OF DIRECTORS

In 2010, none of Directors (other than executive director Chen Shi Da and independent non-executive director Wang Guo Zhong, Yang Chun Bao and Chen Wen Gui) of the Company received emoluments for the year ended 31 December 2010. Details of emoluments of Directors are set out in Note 8 of the Financial Statements.

APPOINTMENT OF DIRECTORS

Directors of the Company are elected at general meetings with a term of three years for each session. Directors can be re-elected upon expiration of the term. As at the date of this report, to cope with shortage of Directors, the Board has elected several Directors with a term until the commencement of the next general meeting where re-election would be conducted.

CORPORATE GOVERNANCE REPORT

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 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 audit committee for the year 2010 comprises of Yang Chun Bao and Zhang Cheng Ying, who are independent non-executive Directors and Chai Xiao Fang, who is a non-executive Director. Yang Chun Bao possesses appropriate professional qualification and financial experience.

Two meetings have been conducted by the audit committee in 2010 for reviewing and discussion of the operating results, statements of affairs and significant accounting policies and internal auditing issues of the Company for the year ended 31 December 2010, and taking advice of auditors on the Company.

The following table sets out the attendance of the committee's meeting in 2010:

Committee members	Attendance/Number of meetings
Yang Chun Bao	2/2
Zhang Cheng Ying	2/2
Chai Xiao Fang	2/2

REMUNERATION COMMITTEE

The Remuneration Committee of the Company for the year 2010 comprises of one executive Director, Zhou Jin Hui and two independent non-executive Directors, Yang Chun Bao and Zhang Cheng Ying, 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. 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 procedures for formulating the remuneration policy.

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 to be made and identifying and nominating suitable persons for appointment of Director.

As at 31 December 2010, the Nomination Committee comprises of one executive Director, Zhou Jin Hui and two independent non-executive Directors, Yang Chun Bao and Zhang Cheng Ying, 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.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company by the auditors of the Company, Ascenda Cachet CPA Limited amounted to HK$510,000 and HK$110,000, respectively. The non-audit services mainly related to the professional services rendered in connection with the resumption of trading of H Shares of the Company.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company remained unchanged and are the manufacture and sale of fire fighting equipment products.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 December 2010 and the state of affairs of the Company at the date are set out in the financial statements on pages 24 to 77.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 78. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the year are set out in note 13 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws/articles of association or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not purchase, redeem or sell any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company during the year is set out in note 28 to the financial statements.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2010, calculated under the Company Law of the People's Republic of China (the "PRC"), being the jurisdiction in which the Company were established, amounted to RMB Nil.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Company's five largest customers accounted for 69% of the total sales for the year and sales to the largest customer included therein amounted to 48%. Purchases from the Company's five largest suppliers accounted for less than 34% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Company's five largest customers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:
Zhou Jin Hui
Zheng Yi Song
Rao Jun Xi
Chen Shi Da
Hu Jing Hai

Non-executive Directors:
Cai Xiao Fang
Gong Xu Lin
Wang Xiang

Independent non-executive directors:
Chen Wei Gui
Yang Chun Bao
Wang Guo Zhong
Zhang Cheng Ying

The Company has received annual confirmations of independence from Mr. Chen Wei Gui, Mr. Yang Chun Bao, Mr. Wang Guo Zhong and Mr. Zhang Cheng Ying and still considers them to be independent as at the date of this report.

DIRECTORS’ REPORT

DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Company are set out on page 8 to 11 of the annual report.

DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS

All directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company for a term of three years. Directors can be re-elected upon expiration of the term. As at the date of this report, to cope with shortage of Directors, the Board has elected several Directors with a term until the commencement of the next general meeting where re-election would be conducted.

DIRECTORS’ REMUNERATION

The directors’ fees are subject to shareholders’ approval at general meetings. Other emoluments are determined by the Company’s board of directors with reference to directors’ duties, responsibilities and performance and the results of the Company.

DIRECTORS’ INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company was a party during the year.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 2010, the interests and short positions of the Directors 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	Capacity	Number of shares	Approximate percentage of Share Capital total issued
Mr. Zhou Jin Hui *(Note 1)*	Held by controlled corporation	133,170,000	71.05%

Note:

1. Liancheng Fire-Fighting Group Company Limited holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Save as disclosed above, as at 31 December 2010, none of the Directors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified to the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Capacity	Number of shares	Approximate percentage of Share capital total registered
Liancheng Fire-Fighting Group Company Limited	Beneficial owner	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Mr. Zhou Jin Hui	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Victory Investment China Group Ltd.	Beneficial owner	16,628,000	8.87%

Notes:

1. All represent domestic shares of the Company.

2. Liancheng Fire-Fighting Group Company Limited hold 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests representing 5 percent or more in the issued shares capital of the Company as at 31 December 2010.

DIRECTORS' REPORT

CONNECTED TRANSACTION

The connected transactions undertaken by the Company are set out in note 32 to the financial statements. The Company has sold fire extinguisher steel cylinders and aluminum cylinders to Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. and its subsidiaries. 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 favourable 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); and

(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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not purchase, sell or redeem any of the Company's listed securities during the year.

AUDITORS

CCIF CPA Limited ("CCIF") and Ascenda Cachet CPA Limited ("Cachet") were joint auditors of the Company for the years ended 31 December 2004, 2005, 2006, 2007, 2008 and 2009. Subsequent to 31 December 2010, CCIF resigned as joint auditors and the remaining auditors, Cachet, were re-appointed as sole auditors for the year ended 31 December 2010. A resolution for the reappointment of Cachet as auditors of the Company will be proposed at the forthcoming annual general meeting.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
SHANGHAI QINGPU FIRE-FIGHTING EQUIPMENT CO., LTD.
(A joint stock limited company established in the People's Republic of China)

We have audited the financial statements of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") set out on pages 24 to 77, which comprise the statements of financial position as at 31 December 2010, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of Hong Kong Companies Ordinance and such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made 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.

Except for the limitation in the scope of work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

Scope limitation – prior year's audit scope limitation affecting opening balances and comparative figures

As detailed in the auditors' report for the year ended 31 December 2009 dated 3 December 2010, the auditors issued qualified opinion arising from limitation of scope on the Company's financial statements for the year ended 31 December 2009 because of the significance of the possible effects of the limitations in evidence made available to the auditors that, in particular, the auditors were unable to obtain direct confirmations and other sufficient evidence in respect of the trade payables of approximately RMB2,827,000 as stated in the statement of financial position as at 31 December 2009. Any adjustments that might have found to be necessary in respect thereof had the auditors obtained sufficient and appropriate evidence would have had a consequential effect on (i) the net liabilities of the Company as at 31 December 2009; (ii) the Company's profit and cash flows for the year ended 31 December 2009 and the related disclosures in the financial statements and (iii) the Company's profit and cash flows for the year ended 31 December 2010 and the related disclosures in the financial statements. In respect of the limitation of scope in the prior year in the areas as described above, we were unable to express our opinion as to whether the balances brought forward as at 1 January 2010 and the comparative figures were fairly stated in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had we been able to satisfy ourselves as to the opening balances of the trade payables as mentioned above, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the Company's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723
Hong Kong
28 March 2011

INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	5	**21,362**	20,365
Cost of sales		**(19,992)**	(19,323)
Gross profit		**1,370**	1,042
Other income and gains	5	**5,464**	12,519
Write off of trade receivables		**–**	(103)
Provisions for loss on financial guarantees	24(b)	**(190)**	(670)
Reimbursement receivable for loss on financial guarantees	20	**190**	670
Reversal of/(provision for) impairment loss on reimbursement receivables for loss on financial guarantees	20	**23,940**	(670)
Distribution costs		**(357)**	(212)
Administrative expenses		**(7,141)**	(5,872)
Finance costs	7	**(803)**	(509)
Profit before tax	6	**22,473**	6,195
Income tax expense	10	**–**	–
Profit for the year		**22,473**	6,195
Attributable to:			
Owners of the Company		**22,473**	6,195
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS	11		
Basic (RMB cents)		**12.0**	3.3
Diluted (RMB cents)		**12.0**	3.3

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	**2010**	2009
		RMB'000	*RMB'000*
PROFIT FOR THE YEAR		**22,473**	6,195
OTHER COMPREHENSIVE INCOME, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**22,473**	6,195
Attributable to:			
Owners of the Company		**22,473**	6,195

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON–CURRENT ASSETS			
Property, plant and equipment	13	**12,371**	14,505
Prepaid land lease payments	14	**710**	726
Total non-current assets		**13,081**	15,231
CURRENT ASSETS			
Inventories	15	**6,598**	5,485
Trade receivables	16	**3,069**	2,889
Prepaid land lease payments	14	**18**	18
Prepayments, deposits and other receivables	17	**1,799**	520
Due from related companies	18	**165**	1,296
Loans receivable from former controlling shareholder	19	**–**	14,000
Reimbursement receivables for loss on financial guarantees	20	**–**	–
Cash and cash equivalents	22	**11,770**	471
Total current assets		**23,419**	24,679
CURRENT LIABILITIES			
Trade payables	23	**3,777**	2,827
Other payables and accruals	24	**9,384**	31,239
Interest-bearing bank borrowing	25	**–**	24,650
Total current liabilities		**13,161**	58,716
NET CURRENT ASSETS/(LIABILITIES)		**10,258**	(34,037)
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,339**	(18,806)
NON-CURRENT LIABILITIES			
Due to immediate holding company	26	**(6,000)**	(10,860)
Net assets/(liabilities)		**17,339**	(29,666)
EQUITY/(DEFICIENCY IN ASSETS)			
Issued capital	27	**18,743**	18,743
Reserves	28	**(1,404)**	(48,409)
Total equity/(deficiency in assets)		**17,339**	(29,666)

Director

Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Issued capital	Share premium account	Capital reserve	Statutory reserve funds	Discretionary common reserve fund	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 28(a)	*Note 28(b)*	*Note 28(c)*	*Note 28(d)*		
At 1 January 2009	18,743	10,910	(1,733)	3,734	1,500	(69,015)	(35,861)
Total comprehensive income for the year	–	–	–	–	–	6,195	6,195
At 31 December 2009 and 1 January 2010	18,743	10,910	(1,733)	3,734	1,500	(62,820)	(29,666)
Total comprehensive income for the year	–	–	–	–	–	22,473	22,473
Write back of payable waived by immediate holding company	–	–	24,532	–	–	–	24,532
At 31 December 2010	18,743	10,910	22,799	3,734	1,500	(40,347)	17,339

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**22,473**	6,195
Adjustments for:			
Amortisation of prepaid land lease payments	*6*	**16**	18
Depreciation of property, plant and equipment	*6*	**2,067**	2,151
Gain on disposal of property, plant and equipment	*5*	**(49)**	–
Write off of trade receivables		**–**	103
Impairment loss on prepayments, deposits and other receivables	*17*	**–**	11
(Reversal of)/provision for impairment loss on reimbursement receivables	*20*	**(23,940)**	670
Write back of payable waived by suppliers	*5*	**(10)**	(3,848)
Write back of payable waived by former controlling shareholder	*5*	**(4,722)**	(7,377)
Write back of payable waived by immediate holding company	*5*	**–**	(894)
Interest income	*5*	**(31)**	(1)
Interest expenses	*7*	**803**	509
Operating loss before changes in working capital		**(3,393)**	(2,463)
Increase in inventories		**(1,113)**	(2,212)
(Increase)/decrease in trade receivables		**(180)**	9,409
Increase in prepayments, deposits and other receivables		**(1,279)**	(103)
Increase/(decrease) in trade payables		**960**	(5,031)
Increase/(decrease) in other payables and accruals		**6,807**	(12,106)
Increase in amounts due to former related companies		**–**	7,654
Increase in amounts due from related companies		**1,131**	(1,040)
Net cash flows from/(used in) operating activities		**2,933**	(5,892)

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	**2010** *RMB'000*	2009 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	*13*	**(13)**	(442)
Proceeds from sale of property, plant and equipment		**129**	–
Interest received	*5*	**31**	1
Net cash flows from/(used in) investing activities		**147**	(441)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(10,650)**	–
Advance from immediate holding company		**19,672**	6,754
Interest paid	*7*	**(803)**	(509)
Net cash flows from financing activities		**8,219**	6,245
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,299**	(88)
Cash and cash equivalents at beginning of year		**471**	559
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,770**	471
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**11,770**	471

1. CORPORATE INFORMATION

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (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"). The registered office of the Company is located at No. 1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC and its principal place of business in Hong Kong is situated at Unit 2605, Island Place Tower, 510 King's Road, North Point, Hong Kong.

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

In the opinion of the directors, the immediate holding company is 聯城消防集團股份有限公司 (literally translated as "Liancheng Fire-Fighting Group Joint Stock Co., Ltd.", "Liancheng"), which is a limited liability company established in the PRC, and the ultimate holding company is 浙江恒泰房地產有限公司 (literally translated as "Zhejiang Hengtai Real Estate Company Limited", "Zhejiang Hengtai"), which is a limited liability company established in the PRC.

The principal activities of the Company are the manufacture and sale of fire fighting equipment products.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except for per share data. Renminbi is the Company's functional and presentation currency.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

IFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IAS 27 Amendment	Amendments to IAS 27 Consolidated and Separate Financial Statements
IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRS 5 Amendments included in Improvements to IFRSs issued in May 2008	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

Other than as further explained below regarding the impact of amendments to IAS 7 and IAS 36 included in Improvements to IFRSs 2009, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effect of adopting these new and revised IFRSs is as follows:

Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Company. Details of the key amendments most applicable to the Company are as follows:

IAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

IAS 36 Impairment of Assets: Clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARD

The Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	Financial Instruments: Classification and Measurement [4]
IAS 24 Amendment	Amendment to IAS 24 Related Party Disclosures [3]
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement [3]
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The Company expects no impact from the adoption of the amendments on its financial position or performance.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Company considers that the adoption of these new and revised IFRSs is unlikely to have a significant impact on the Company's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Company if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;

(b) the party is a member of the key management personnel of the Company or its parents;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, an individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is a related party of the Company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the shorter of the lease terms or 40 years
Machinery	8 to 10 years
Furniture, fixtures and equipment	6 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessor, assets leased by the Company under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Company's financial assets include cash and bank balances, trade receivables, deposits and other receivables, loans receivable from former controlling shareholder, amounts due from related companies and reimbursement receivables for loss on financial guarantees.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade payables, other payable and accruals, bank loans and amount due to immediate holding company.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) rental income, on a time proportion basis over the lease terms; and

(iii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, to the net carrying amount of the financial asset.

Employee benefits

The employees of the Company which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Company is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statements of income as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Foreign currency transactions recorded by the Company are initially recorded using its respective functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

Financial guarantees

The Company has been engaged in a number of financial guarantee contracts and litigations since the year ended 31 December 2006. Liabilities arising from these financial guarantee contracts and litigations in respect of the underlying loans have been assessed by management with reference to the Company's PRC legal advisor's opinion. Provisions on the possible obligation have been made by management based on the court orders and the legal advice.

Impairment for doubtful debts arising from trade receivables, loans receivable and reimbursement receivables

The Company's management estimates impairment for doubtful debts resulting from the inability of the customers and related company to make the required payments. The Company's management bases the estimates on the aging of the balances of the customers and current accounts with the related companies, customer creditworthiness, and historical write-off experience. If the financial condition of the customers and related company were to deteriorate, actual write-offs would be higher than estimated.

Write down of inventories

If the costs of inventories fall below their net realisable values, a write down of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Company's management bases the estimates on all available information, including the current market prices of the finished goods and raw materials, and historical operating costs. If the actual selling prices were to be lower or the costs of completion and other distribution costs were to be higher than estimated, the actual write down of inventories could be higher than estimated.

Impairment of property, plant and equipment and prepaid land lease payments

The recoverable amount of an asset is the higher of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Company's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Carrying value of property, plant and equipment and estimation on depreciation charge

The Company determines the estimated useful lives and related depreciation charges 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. It could change significantly as a result of technical innovations and competitors' actions in response to severe industry cycle. Management will revise the depreciation charge where useful lives are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Company is organised into business units based on their services. However, the Company operates only in one business, being the manufacture and sale of fire fighting equipment products in the PRC during the year. Accordingly, no further disclosures by the reportable segments based on business were made.

The Company operates principally in the PRC. Over 90% of the Company's revenue is derived from the manufacturing and sales of fire fighting equipment products in the PRC and over 90% of the Company's assets are located in the PRC. Accordingly, no further disclosures by the reportable segments based on geographical were made.

Information about a major customer

Revenue of approximately RMB10,205,000 (2009: RMB11,393,000) was derived from sales of fire-fighting equipment to a single customer, which is an independent third party, during the year ended 31 December 2010.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Company's turnover, represents income arising from the Company's principal activities, being manufacturing and sale of fire fighting equipment products, net of value added tax, trade discounts and return during the year.

An analysis of revenue, other income and gains is as follows:

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**21,362**	20,365
Total revenue	**21,362**	20,365
Other income and gains		
Bank interest income	**31**	1
Gain on disposal of property, plant and equipment	**49**	–
Others	**12**	894
Gross rental income	**185**	–
Revenue from sales of scrap	**455**	399
Write back of payables waived by suppliers	**10**	3,848
Write back of payable waived by former controlling shareholder	**4,722**	7,377
Total other income and gains	**5,464**	12,519
Total revenue, other income and gains	**26,826**	32,884

6. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	2010	2009
	RMB'000	*RMB'000*
Amortisation of prepaid land lease payments	**16**	18
Depreciation of property, plant and equipment	**2,067**	2,151
Cost of sales*	**19,992**	19,323
Minimum lease payments under operating leases:		
Land and buildings	**346**	346
Auditors' remuneration	**423**	475
(Reversal of)/provision for impairment loss on reimbursement receivables for loss on financial guarantee	**(23,940)**	670
Write off of trade receivables	**–**	103
Provision for loss on financial guarantee	**190**	670
Staff costs (including directors' and supervisor' remuneration *(note 8)*):		
Wages and salaries	**3,736**	2,953
Pension scheme contributions	**619**	1,042
Social security costs	**312**	218
	4,667	4,213
Write back of payables waived by suppliers	**(10)**	(3,848)
Write back of payables waived by former controlling shareholder	**(4,722)**	(7,377)
Gain on disposal of property, plant and equipment	**(49)**	–
Bank interest income	**(31)**	(1)

* Cost of sales includes approximately RMB1,900,000 (2009: RMB1,822,000) and RMB1,995,000 (2009: RMB2,019,000) relating to staff costs and depreciation, respectively, which amounts are also included in the respective total amounts disclosed separately above.

7. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**803**	509

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Fees		
Executive directors	**47**	–
Independent non-executive directors	**90**	–
	137	–
Other emoluments:		
Salaries, allowances and benefits in kind	**–**	–
Pension scheme contributions	**–**	–
	137	–
	137	–

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010	2009
	RMB'000	*RMB'000*
Mr. Chen Wen Gui	**30**	–
Mr. Yang Chun Bao	**30**	–
Mr. Wang Guo Zhong	**30**	–
Mr. Zhang Cheng Ying (appointed in 7 August 2009)	**–**	–
	90	–

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors and non-executive directors and supervisors

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2010				
Executive directors				
Zhou Jin Hui	–	–	–	–
Zheng Yi Song	–	–	–	–
Hu Jing Hai	–	–	–	–
Chen Shi Da	47	–	–	47
Rao Jun Xi	–	–	–	–
	47	–	–	47
Non-executive directors				
Cai Xiao Fang	–	–	–	–
Gong Xu Lin	–	–	–	–
Wang Xiang	–	–	–	–
	–	–	–	–
Supervisors				
Tang Cheng	–	–	–	–
Wang Kou Cheng	–	–	–	–
Liu Xiong De	–	–	–	–
Total	47	–	–	47

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2009				
Executive directors				
Jiang Zi Qiang (resigned on 30/7/2009)				
Liu Zhu Gen (resigned on 30/7/2009)				
Chen Yuen (resigned on 12/10/2009)	–	–	–	–
Zhou Jin Hui (appointed on 30/7/2009)	–	–	–	–
Zheng Yi Song (appointed on 30/7/2009)	–	–	–	–
Hu Jing Hai (appointed on 30/7/2009)	–	–	–	–
Chen Shi Da (appointed on 7/8/2009)	–	–	–	–
Rao Jun Xi (appointed on 12/10/2009)	–	–	–	–
	–	–	–	–
Non-executive directors				
Jiang Zhou (resigned on 7/8/2009)				
Zhao Shu Guang (resigned on 7/8/2009)				
Chen Zhen Qiang (resigned on 7/8/2009)				
Li Zhen Li (resigned on 7/8/2009)				
Li Min Zhi (resigned on 7/8/2009)				
Cai Xiao Fang (appointed on 30/7/2009)	–	–	–	–
Gong Xu Lin (appointed on 7/8/2009)	–	–	–	–
Wang Xiang (appointed on 7/8/2009)	–	–	–	–
	–	–	–	–
Supervisors				
Tang Cheng	–	–	–	–
Wang Kou Cheng	–	–	–	–
Liu Xiong De	–	–	–	–
Total	–	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

No further emoluments were paid by the Company to the executive and non-executive directors either as an inducement upon joining or to join the Company, or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2009: none) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2009: five) non-director, highest paid employees for the year ended 31 December 2010 are as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**264**	204
Pension scheme contributions	**–**	–
	264	204

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
Nil to RMB1,000,000	**4**	5

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and PRC Enterprise Income Tax have been made as the Company had no assessable profits arising in Hong Kong and there are available tax losses brought forward from previous years to offset the current year's assessable profits in the PRC (2009: Nil).

The tax effect of temporary differences for deferred tax assets was not recognised in the financial statements due to the uncertainty of future profits streams against which the assets can be utilised (2009: Nil). The tax losses of RMB10,186,000 (2009: RMB22,590,000) will expire in the next five years. Further details are disclosed in note 21 to the financial statements.

A reconciliation of the tax charge to profit before tax using the tax rate of the Company is as follows:

	2010		2009	
	RMB'000	***%***	*RMB'000*	*%*
Profit before tax	**22,473**		6,195	
Tax at statutory tax rate	**5,618**	**25.0**	1,549	25.0
Tax effect of non-deductible expenses	**921**	**4.1**	799	12.9
Tax effect of non-taxable income	**(5,985)**	**(26.6)**	(1,821)	(29.4)
Tax effect of utilization of unused tax losses	**(554)**	**(2.5)**	(788)	(12.7)
Tax effect of unused tax losses not recognised	**–**	**–**	261	4.2
Tax charge	**–**	**–**	–	–

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company of RMB22,473,000 (2009: RMB6,195,000) and on the weighted average number of ordinary shares of 187,430,000 (2009: 187,430,000) in issue during the year.

Diluted earnings per share is not presented for the years ended 31 December 2010 and 2009 as the Company had no potentially dilutive ordinary shares in issued during these years.

12. DIVIDENDS

The directors do not recommend the payment of any dividends for the year ended 31 December 2010 (2009: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery *RMB'000*	Furniture Fixtures and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2010					
At 1 January 2010:					
Cost	**6,713**	**23,193**	**1,356**	**837**	**32,099**
Accumulated depreciation	**(3,144)**	**(12,678)**	**(1,167)**	**(605)**	**(17,594)**
Net carrying amount	**3,569**	**10,515**	**189**	**232**	**14,505**
At 1 January 2010, net of accumulated depreciation	**3,569**	**10,515**	**189**	**232**	**14,505**
Additions	**–**	**6**	**7**	**–**	**13**
Disposal	**–**	**(51)**	**–**	**(29)**	**(80)**
Depreciation provided during the year	**(197)**	**(1,767)**	**(48)**	**(55)**	**(2,067)**
At 31 December 2010, net of accumulated depreciation	**3,372**	**8,703**	**148**	**148**	**12,371**
At 31 December 2010:					
Cost	**6,713**	**23,178**	**1,363**	**546**	**31,800**
Accumulated depreciation	**(3,341)**	**(14,475)**	**(1,215)**	**(398)**	**(19,429)**
Net carrying amount	**3,372**	**8,703**	**148**	**148**	**12,371**

	Buildings *RMB'000*	Machinery *RMB'000*	Furniture Fixtures and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2009					
At 1 January 2009:					
Cost	6,713	22,762	1,345	837	31,657
Accumulated depreciation	(2,946)	(10,859)	(1,098)	(540)	(15,443)
Net carrying amount	3,767	11,903	247	297	16,214
At 1 January 2009, net of accumulated depreciation	3,767	11,903	247	297	16,214
Additions	–	431	11	–	442
Depreciation provided during the year	(198)	(1,819)	(69)	(65)	(2,151)
At 31 December 2009, net of accumulated depreciation	3,569	10,515	189	232	14,505
At 31 December 2009:					
Cost	6,713	23,193	1,356	837	32,099
Accumulated depreciation	(3,144)	(12,678)	(1,167)	(605)	(17,594)
Net carrying amount	3,569	10,515	189	232	14,505

Notes:

a) At 31 December 2009, a building with a carrying amount of approximately RMB1,520,000 and the related prepaid land lease premium, as detailed in note 14, with a carrying amount of approximately RMB350,000, have been pledged as security for a bank loan of RMB4,650,000 granted to the Company (note 25(a)). On 7 April 2010, the Company's former controlling shareholder, 上海華盛企業(集團)有限公司 (literally translated as "Shanghai Huasheng Enterprises (Group) Company Limited", "Shanghai Huasheng") made an advance of RMB4,673,715 to the Company, and the Company repaid the principal with interest in aggregate of RMB4,673,715. Accordingly, the pledge of the building and the related prepaid land lease premium has been released.

b) At 31 December 2009, apart from the building as described in note (a) above, the buildings with an aggregate carrying amount of approximately RMB2,049,000 and the related land lease premium, as detailed in note 14, with an aggregate carrying amount of approximately RMB394,000, have been pledged as security for two bank loans amounting to RMB5,080,000 borrowed by 上海高壓容器有限公司 (literally translated as "Shanghai High Pressure Container Co., Ltd.", "Shanghai High Pressure"), a subsidiary of Shanghai Huasheng (note 29). On 7 April 2010, Shanghai High Pressure repaid the principal amount. The loan interest of RMB2,157,525 has been repaid. The pledge has been released upon the repayment of the bank loans.

14. PREPAID LAND LEASE PAYMENTS

	2010	2009
	RMB'000	*RMB'000*
Carrying amount at beginning of year	**744**	762
Amortisation during the year	**(16)**	(18)
Carrying amount at 31 December	**728**	744
Current portion	**(18)**	(18)
Non-current portion	**710**	726
Analysed into:		
Situated in the PRC under a medium term lease	**728**	744

At 31 December 2009, the lease premiums for land had been pledged to banks as security for bank loans granted to the Company and Shanghai High Pressure. The bank loans were settled on 7 April 2010, and accordingly the pledges have been released. Further details are disclosed in notes 13(a) and (b), 25(a) and 29 to the financial statements.

15. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	**2,867**	2,335
Work in progress	**1,880**	1,589
Finished goods	**1,708**	1,448
Low cost consumables	**143**	113
	6,598	5,485

At the end of reporting period, the inventories of the Company carrying at net realisable value amounted to approximately RMB3,358,000 (2009: Nil).

16. TRADE RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**3,069**	2,889
Impairments	**–**	–
	3,069	2,889

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of reporting period, based on the invoice date, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**1,613**	1,982
1 to 2 months	**386**	286
2 to 3 months	**241**	180
Over 3 months	**829**	441
	3,069	2,889

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**2,240**	2,448
Less than 1 month past due	**244**	151
1 to 3 months past due	**380**	185
More than 3 months past due	**205**	105
	3,069	2,889

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Deposits and prepayments	**1,689**	480
Other receivables	**110**	51
	1,799	531
Less: Impairment loss	**–**	(11)
	1,799	520

All of deposits, prepayments and other receivables are expected to be recovered or recognised as expense within one year.

None of the above assets is either past due or impaired (2009: approximately RMB11,000). The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. DUE FROM RELATED COMPANIES

	31 December 2010	Maximum amount outstanding during the year	1 January 2010
	RMB'000	*RMB'000*	*RMB'000*
Name			
上海石化消防工程有限公司 (literally translated as "Shanghai Petrochemical Firefighting Engineering Company Limited, "SPFE")	95	655	648
上海聯滬消防器材有限公司(literally translated as "Shanghai Lianhu Fire-fighting Equipment Company Limited, "SLFE")	70	1,705	648
	165		1,296

(i) The amounts due from the related companies are unsecured, interest-free and have no fixed terms of repayments.

(ii) The companies are controlled by Zhejiang Hengtai, the Company's ultimate holding company.

(iii) The amount due from SLFE as at 31 December 2009 was non-trade in nature and represents the balance of cash advanced from, and settlement made, during the year ended 31 December 2009. The amount due from it as at 31 December 2010 was trade in nature.

19. LOANS RECEIVABLE FROM FORMER CONTROLLING SHAREHOLDER

	2010	2009
	RMB'000	*RMB'000*
Bank loans	**10,000**	24,000
Advanced from the Company	**1,000**	1,000
Bank loan interests and litigation costs	**5,065**	4,411
	16,065	29,411
Less: Impairment loss	**(16,065)**	(15,411)
	–	14,000

The loans are unsecured, bear the same interest amounts as those related bank loans as at 31 December 2010 and 2009 stated in note 25(b) and are repayable on demand.

As at 31 December 2010, loans receivable of approximately to RMB16,065,000 (2009: RMB15,411,000) was determined to be impaired as the loans receivable were long outstanding and settlement is remote.

The movement in the allowance amount for doubtful debts during the year is as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**15,411**	13,304
Impairment loss recognised	**654**	2,107
At 31 December	**16,065**	15,411

20. REIMBURSEMENT RECEIVABLES FOR LOSS ON FINANCIAL GUARANTEES

	2010	2009
	RMB'000	*RMB'000*
Reimbursement receivable from a former related company for loss on financial guarantees:		
Loan amount	**–**	21,580
Loan interests and litigation costs	**–**	2,360
	–	23,940
Less: Impairment loss	**–**	(23,940)
	–	–

The amounts are unsecured, bear the same interest amounts as those related bank guarantees in note 29 and are repayable on demand.

No reimbursement receivables were impaired as the related loans were fully repaid as at 31 December 2010. As at 31 December 2009, reimbursement receivables of RMB23,940,000 were determined to be impaired as the reimbursement receivables were long outstanding and recovery is remote.

The movements in the impairment loss account during the year are as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**23,940**	23,270
Impairment loss reversed *(note 6)*	**(23,940)**	–
Impairment loss recognised *(note 6)*	**–**	670
At 31 December	**–**	23,940

The impairment loss reversed is due to the repayment of financial guarantees of approximately RMB23,940,000 (2009: Nil) during the year.

21. DEFERRED TAX

a) Deferred tax assets not recognised

The Company has not recognised deferred tax assets in respect of tax losses of approximately RMB1,521,000 (2009: RMB776,000) arising from the operation in the PRC for the year as it is not considered probable that future taxable profits will be available against which the losses can be utilised. During the year, the unused tax loss of the Company amounting to approximately RMB13,925,000 (2009: Nil) was expired.

At 31 December 2010, the Company's tax losses will expire in the following years:

	2010	2009
	RMB'000	*RMB'000*
In 2015	**1,521**	–
In 2014	**776**	776
In 2013	**3,659**	3,659
In 2012	**3,494**	3,494
In 2011	**736**	736
In 2010	**–**	13,925
	10,186	22,590

b) The Company had no other significant deferred tax liabilities not provided for during the year and at the end of the reporting period.

22. CASH AND CASH EQUIVALENTS

	2010	2009
	RMB'000	*RMB'000*
Deposits with banks	**11,712**	419
Cash on hand	**58**	52
Cash and cash equivalents	**11,770**	471

23. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**1,362**	999
1 to 2 months	**519**	403
2 to 3 months	**207**	48
Over 3 months	**1,689**	1,377
	3,777	2,827

All of the trade payables are non-interest bearing and are expected to be settled within one year.

24. OTHER PAYABLES AND ACCRUALS

	2010	2009
	RMB'000	*RMB'000*
Other payables	**1,333**	1,583
Accruals	**595**	–
Advance from customers	**1,931**	1,223
VAT payable	**270**	82
Provision for loss on financial guarantees *(note b)*	**190**	23,940
Provision for bank loan related expenses *(note c)*	**5,065**	4,411
Financial liabilities measured at amortised cost	**9,384**	31,239

a) All of the other payables and accruals are non-interest bearing and expected to be settled within one year.

b) Provision for loss on financial guarantees provided by the Company to secure for the underlying bank loans granted to a former related company which were defaulted by it together with interests accrued, penalty interests and legal costs. Further details are disclosed in note 29. The movement of the provision is as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**23,940**	31,137
Charge for the year	**190**	670
Settlement of the bank loans by the ex-related company	**(23,940)**	(7,867)
At 31 December	**190**	23,940

c) Provision for bank loan related expense represents the interests accrued, penalty interests and legal costs to be paid for the related bank loans as described in note 25(b). The movements are as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**4,411**	4,085
Charge for the year	**654**	326
At 31 December	**5,065**	4,411

Interest of RMB315,000 were settled during the year and the remaining balance of interest of RMB4,750,000 will be settled in September 2011 in accordance with the interest reduction agreement.

25. INTEREST-BEARING BANK BORROWINGS, SECURED

		2010			2009		
	Note	**Effective interest *rate (%)***	***Maturity***	***RMB'000***	Effective interest *rate (%)*	*Maturity*	*RMB'000*
Bank loan – secured	*(a)*	**N/A**	**N/A**	**–**	6.7	2010	4,650
Bank loan – unsecured	*(b)*	**N/A**	**N/A**	**–**	6.138	2010	20,000
				–			24,650
Current portion				**–**			(24,650)
Non-current portion				**–**			–

The above bank loans are carried at amortised cost.

Notes:

a) The bank loan of RMB4,650,000 as at 31 December 2009 was secured by mortgaging the building and the related land lease premium of the Company, as detailed in note 14(a). The loan bore interest at 6.7% per annum and is for a period from 21 May 2005 to 25 July 2006.

The Company failed to repay the bank loan on the due date. The bank loan was settled during the year. Further details are referred to in note 30(a).

b) The bank loan was settled during the year. Details of the bank loan are set out in note 30(b).

26. DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest-free and is repayable when the Company's net asset value exceeds RMB50,000,000.

During the year, the immediate holding company paid certain legal and professional fee of approximately RMB2,619,000 on behalf of the Company and agreed not to demand for repayment from the Company. Accordingly, this amount was accounted for as a waiver of amount payable to the immediate holding company in the capital reserve during the year.

27. SHARE CAPITAL

	2010	2009
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
131,870,000 unlisted domestic shares ("Domestic Shares") of RMB0.10 each	**13,187**	13,187
55,560,000 overseas listed foreign invested shares ("H Shares") of RMB0.10 each	**5,556**	5,556
	18,743	18,743

28. RESERVES

a) Share premium

Share premium arose from the issuance of share at prices in excess of their par value.

b) Capital reserve

	Reversal of revaluation surplus of property, plant and equipment	**Waiver of amount due to immediate holding company**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2009	(1,733)	–	(1,733)
Appropriation	–	–	–
At 31 December 2009 and 1 January 2010	(1,733)	–	(1,733)
Write back of payables waived by immediate holding company	–	24,532	24,532
Appropriation	–	–	–
At 31 December 2010	(1,733)	24,532	22,799

Reversal of revaluation surplus of property, plant and equipment

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 domestic shares of RMB1.00 each, and was credited as fully paid by capitalising all the Company's then paid-in capital and reserves, calculated based on the Company's PRC GAAP financial statements.

The deficit of approximately RMB1,733,000 in capital reserve of the Company 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 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.

c) Statutory reserve fund

According to PRC regulations and the Company's Articles of Association, the Company is required to transfer 10% of its profit after tax, as determined under the PRC accounting standards and regulations, to statutory reserve fund until the fund reaches 50% of the Company's registered capital. The transfer to this reserve must be made before distributing dividends to shareholders.

The statutory reserve fund can be used to make up for previous years' losses, if any. It may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

d) Discretionary common reserve fund

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 usage of discretionary common reserve fund is similar to that of the statutory reserve fund.

e) Distributability of reserve

At 31 December 2010, the Company had no reserve available for distribution (2009: Nil).

29. FINANCIAL GUARANTEES

The following are details of the loans which are secured by the financial guarantees:

Borrower	Co-guarantor (joint and several)	Term of bank loan	Original loan amount	Amount attributable to the Company 31/12/2010	31/12/2009
			RMB'000	***RMB'000***	*RMB'000*
Shanghai High Pressure	Mr. Jiang and his wife	21/9/2005 – 30/8/2006	2,780	–	2,780
Shanghai High Pressure	Mr. Jiang and his wife	21/9/2005 – 30/8/2006	2,300	–	2,300
Shanghai High Pressure	Shanghai Huasheng	29/12/2004 – 1/12/2005	20,000	–	9,500
Shanghai High Pressure	Shanghai Huasheng and 上海銘源	1 year *(note)*	105,900	–	7,000
			130,980	–	21,580

Notes:

Shanghai High Pressure and the bank entered into a loan extension agreement on 31 May 2007. Pursuant to the agreement, the loan had been extended to 30 April 2008.

In view of the court order and the legal opinion, the current Board of directors concluded to make provision for loss arising from the underlying loans of the financial guarantees provided which was defaulted of approximately RMB Nil (2009: RMB21,580,000) together with the interests accrued, penalty interests and legal costs of approximately RMB190,000 (2009: RMB2,360,000) (see note 24(b)). The corresponding amount was taken up as reimbursement receivables from a former related company (see note 20).

In 2010, the principal sum of loans had been all repaid. Except for the pledge of assets as mentioned in note 30(c) to the financial statements, which had been released subsequent to the end of the reporting period in January 2011, all the financial guarantees and the pledges of assets have been released as at 31 December 2010.

30. LITIGATIONS

The Company had the following litigations during the year or outstanding at the end of the reporting period.

a) On 19 August 2005, the Company and Shanghai Rural Commercial Bank, Chonggu Branch (上海農商銀行重固支行which is also known as "上海農村商業銀行重固支行" "SRCB Chonggu Branch") entered into a loan agreement amounting to RMB5,550,000 ("the "SRCB Loan"). On 8 February 2007, the Company repaid RMB820,000. The SRCB Loan (to the extent of approximately RMB5,550,000) was secured by a building and the related land lease premium of the Company pledged under the highest limit property pledge agreement executed in favour of SRCB Chonggu Branch on 19 August 2005.

On 26 June 2007, SRCB Chonggu Branch, as the plaintiff, commenced an action against the Company, as the defendant, in the People's Court of Qingpu, Shanghai, to demand the repayment for the SRCB Loan. On 24 July 2007, judgment was issued under which (i) the Company was ordered to repay the principal of RMB4,730,000, together with default interest and litigation costs; and (ii) if the Company was in default in making the aforesaid payments, SRCB Chonggu Branch was entitled to take priority in settling the outstanding balance owed by the Company from the proceeds from the sale of the Company's building and the related land lease premium pledged to the bank. On 7 April 2010, the Company had fully settled the outstanding SRCB Loan and therefore, the litigation was settled. Accordingly, the pledges of the buildings and the related land lease premiums were released during the year.

b) On 11 March 2005, Mr. Jiang Zi Qiang (the then chairman of the board who resigned as director of the Company on 30 July 2009 ("Mr. Jiang")), alleged in the name of the Company, entered into a loan agreement amounting to RMB20,000,000 (the "ABC Jingan Loan") with Agricultural Bank of China, Shanghai Jingan Branch (中國農業銀行上海靜安支行, "ABC Jingan").

During the year 2006, the Company received an order from Shanghai No. 2 Intermediate People's Court ordering the Company to pay a sum of RMB20,000,000 to ABC Jingan for the Loan alleged to have been borrowed by the Company. The then board of directors (not including Mr. Jiang, the "Board") discovered that the Loan was borrowed by the Company, which was arranged by Mr. Jiang in 2005. The ABC Jingan Loan was firstly deposited in the Company's bank account and then either transferred to Shanghai Huasheng or to Shanghai Huasheng's related company or subsidiaries by the order of Mr. Jiang. The Company's books have no record of these bank accounts. The ABC Jingan Loan had never been considered, authorised or approved by the Board at the time when such transactions respectively made. All those transactions as contemplated under the underlying loan agreement and the transfers or usage of the ABC Jingan Loan had never been considered, authorised or approved by the Board at the time when such transactions were respectively taken place and were not recorded in the accounting books and records or the published financial statements of the Company. Shanghai Huasheng issued a certificate dated 27 May 2009 stating that the ABC Jingan Loan had ultimately been used for the benefit of Shanghai Huasheng and its subsidiary and Shanghai Huasheng has undertaken to repay the ABC Jingan Loan and related interests.

On 19 December 2006, ABC Jingan, as plaintiff, commenced an action against, among others, the Company, as the first defendant, in the Shanghai No. 2 Intermediate People's Court, to demand repayment for such sum owed by the Company under the loan agreement dated 11 March 2005. On 14 June 2007, a judgment was issued by the Shanghai No. 2 Intermediate People's Court. Subsequently, ABC Jingan appealed to the上海市高級人民法院. On 18 September 2007, same judgment as Shanghai No. 2 Intermediate People's Court was issued by上海市高級人民法院under which the Company was ordered to repay the principal sum of RMB20,000,000, together with interest accrued, default interest and litigation costs. In addition, Shanghai No. 2 Intermediate People's Court has granted asset preservation orders to freeze all the buildings and the related land lease premium of the Company as disclosed in note 13(b) and note 14(b).

In view of the court orders and the legal opinion, the current Board concluded to recognise the ABC Jingan Loan payable of RMB20,000,000 as at 31 December 2006 together with the related interests, penalty interests and legal costs. In addition, the corresponding amounts were recognised as loan receivables from the former controlling shareholder (note 19).

In July 2010, ABC Jingan, Shanghai Huasheng and the Company entered into an interest reduction agreement (減免利息協議)， pursuant to which ABC Jingan agreed to reduce the interest accrued to RMB4,750,000 and the Company agreed to pay the reduced interest together with the principal sum of RMB20,000,000 by instalments. The principal sum has been fully settled in September 2010 and the interest of RMB4,750,000 is due in September 2011. Accordingly, the pledges of the buildings and the related land lease premiums were released as at the year end.

c) On 21 September 2005, Shanghai High Pressure and Shanghai Rural Commercial Bank, Xinhua Branch (上海農村商業銀行華新支行, "SRCB Xinhua Branch") entered into two loan agreements amounting to RMB2,780,000 and RMB2,300,000 (collectively, the "SRCB Xinhua Loans"), respectively, pursuant to which the loans were repayable on 30 August 2006. The SRCB Xinhua Loans were secured by two highest limit property pledge agreements to the extent of RMB2,780,000 and RMB2,300,000, respectively, on two buildings and the related land lease premium of the Company and personal guarantees from Mr. Jiang and his wife.

On 23 August 2007, SRCB Xinhua Branch, as the plaintiff, commenced an action against, among others, the Company, as the second defendant, in the People's Court of Qingpu, Shanghai, to demand repayment for the SRCB Xinhua Loans owed by Shanghai High Pressure under two loan agreements, both dated 21 September 2005, which sum was secured by two buildings and the related land lease premium of the Company under two financial guarantees executed in favour of SRCB Xinhua Branch on 16 September 2005. On 11 December 2007, judgment was issued whereby (i) Shanghai High Pressure was ordered to repay the principal sum of RMB5,080,000, together with interest accrued, default interest and litigation costs, and (ii) if Shanghai High Pressure is in default in making the aforesaid payments, SRCB Xinhua Branch has priority in getting the outstanding balances from the proceeds from the sale of the pledged buildings and the related land lease premium.

In April 2010, the principal sum of the SRCB Xinhua Loans of RMB5,080,000 together with interest of approximately RMB2,132,000 were repaid and therefore the Company issued a letter to SRCB Xinhua Branch to request for the release of the pledged buildings and the related land lease premium. As at the end of the reporting period, the pledge of buildings and the related land lease premium has not yet been released from pledge of security. Subsequent to the end of the reporting period, in January 2011, the pledges of buildings and the related land lease premium were released.

d) On 29 December 2004, Shanghai High Pressure and Bank of Shanghai, Putuo Branch (上海銀行普陀支行, "Shanghai Bank Putuo") entered into a loan agreement amounting to RMB20,000,000 (the "Shanghai Bank Putuo Loan"), pursuant to which the Shanghai Bank Putuo Loan was repayable on 1 December 2005. The Company, Shanghai Huasheng and Mr. Jiang acted as guarantors in favour of Shanghai Bank Putuo.

On 5 December 2006, Shanghai Bank Putuo, as the plaintiff, commenced an action against, among others, the Company, as the third defendant, in the Shanghai No. 2 Intermediate People's Court, to demand repayment for an amount of approximately RMB17,366,000 owed by Shanghai High Pressure under the loan agreement dated 29 December 2004, which sum is secured by the guarantee dated 29 December 2004 given by the Company in favour of Shanghai Bank Putuo. On 26 December 2006, a judgment was issued but Shanghai Bank Putuo did not agree and appealed to the Shanghai No. 2 Intermediate People's Court.

On 8 February 2007, judgment was issued under which (i) Shanghai High Pressure was ordered to repay the principal sum of approximately RMB17,366,000, together with interest accrued, default interest and litigation costs; and (ii) the Company, as one of the guarantors, was ordered to fulfil its obligation to repay for Shanghai High Pressure if it failed to do so. On 25 December 2009, an agreement was entered into among Shanghai Bank Putuo, Shanghai High Pressure and the guarantors. Pursuant to the agreement, Shanghai Bank Putuo agreed to waive the bank loan of RMB7,866,000 subject to Shanghai High Pressure repaying an amount of RMB9,500,000 on or before 1 January 2010. In January 2010, RMB9,500,000 was repaid to Shanghai Bank Putuo, the financial guarantee was released and the litigation was then settled.

e) On 26 May 2006, Shanghai High Pressure and Huaxia Bank, Shanghai (華夏銀行上海分公司, "Huaxia Bank") entered into a loan agreement amounting to RMB105,900,000 (the "Huaxia Bank Loan"), pursuant to which Huaxia Bank Loan was drawn down by seven instalments from 30 May 2006 to 22 June 2006. The due date of each instalment was one year from date of draw-down. Mr. Jiang in name of the Company, in May and June 2006 entered into two highest limit property pledge agreements on the buildings and prepaid land lease premium of the Company for a total extent of RMB7,000,000 in May and June 2006. The Huaxia Bank Loan was also secured by guarantees from上海銘源 and Shanghai Huasheng. On 29 April 2008, Huaxia Bank assigned the Huaxia Bank Loan to China Great Wall Asset Management Corporation, Shanghai Office (中國長城資產管理公司上海辦事處, "CGWAM Shanghai").

In August 2008, CGWAM Shanghai took legal action against the Company for recovery of the loan. On 8 April 2009, a judgment was issued by Shanghai No. 1 Intermediate People's Court ordering the guarantors and the Company to fulfil their obligation. On 13 January 2010, CGWAM Shanghai, Shanghai High Pressure,上海銘源, Shanghai Huasheng and the Company entered into a debt reduction agreement (債務減讓協議) whereby CGWAM Shanghai agreed to release all the parties to the agreement from their liabilities upon receiving RMB70,000,000. With reference to a civil mediation (民事調解書) dated 28 January 2010, CGWAM Shanghai agreed to release the pledged buildings and the related land use premiums of the Company upon receiving the first RMB35,000,000. In May 2010, RMB20,000,000 was paid to CGWAM Shanghai. Further amounts of RMB15,000,000 were paid in September and December 2010, the pledges of the buildings and prepaid land lease premium of the Company had been released as at the date of these financial statements.

31. COMMITMENTS

(1) Operating lease commitments

(a) As lessor

The Company leases its land and buildings under operating leases arrangements with the leases negotiated for terms ranging from 3 to 5 years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions.

At 31 December 2010, the Company had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

	2010	2009
	RMB'000	*RMB'000*
Within one year	**500**	–
In the second to fifth years, inclusive	**1,573**	–
After five years	**–**	–
	2,073	–

(b) As lessee

The Company leases certain land and buildings from independent third parties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to ten years.

At 31 December 2010, the Company had total future minimum lease payments under non-cancellable operating leases with its tenant falling due as follows:

	2010	2009
	RMB'000	*RMB'000*
Within one year	**346**	246
In the second to fifth years, inclusive	**837**	982
After five years	**737**	941
	1,920	2,169

(2) Capital and other commitments

At the end of the reporting period, the Company had no significant capital and other commitments.

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following material transactions with related parties, which also constitute continuing connected transactions under the GEM Listing Rules, during the year:

	2010	2009
	RMB'000	*RMB'000*
Sales of goods		
Liancheng	**572**	570
SPFE	**797**	1,312
SLFE	**403**	–
	1,772	1,882

In the opinion of the Board, the above transactions 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.

The related parties are controlled by Zhejiang Hengtai, the ultimate holding company of the Company.

(b) Compensation of key management personnel of the Company comprises 12 (2009: 12) directors and 3 (2009: 3) supervisors. Details of their remuneration are included in note 8 to the financial statements.

33. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2010, pursuant to a sale and purchase agreement entered between the Company and an independent third party (the "Vendor") dated 20 January 2011, the Company agreed to purchase and the Vendor agreed to sell a property in Shanghai, the PRC at a cash consideration of RMB5,000,000. The transfer of the property had been completed on 16 February 2011.

34. MAJOR NON-CASH TRANSACTION

Apart from the write back of payable to former controlling shareholder and waiver of amount payable to the immediate holding company as disclosed in notes 5 and 26 to the financial statements, the Company has no other major non-cash transactions during the year ended 31 December 2010.

During the year ended 31 December 2009, the Company recognised the alleged bank loans payable and the related expenses (including interests accrued, penalty interest and legal costs) as liabilities carried in the bank loan and other payable respectively and the corresponding loans receivable as an asset carried in the loans receivable due from the former controlling shareholder (notes 25(b), 19 and 24(c)).

During the year ended 31 December 2009, the Company recognised the alleged financial guarantees and the related expenses (including interest, penalty interest and legal costs) as liabilities carried in other payable and the corresponding reimbursement receivable as an asset carried in the reimbursement receivable due from a former related company (notes 20, 29 and 24(b)).

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Financial assets

	Loans and receivables	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**3,069**	2,889
Financial assets included in prepayments, deposits and other receivables	**110**	51
Due from related companies	**165**	1,296
Loans receivable from former controlling shareholder	**–**	14,000
Reimbursement receivables for loss on financial guarantees	**–**	–
Cash and bank balances	**11,770**	471
	15,114	18,707

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	RMB'000	*RMB'000*
Trade payables	**3,777**	2,827
Financial liabilities included in other payables and accruals	**9,384**	31,157
Interest-bearing bank borrowings, secured	**–**	24,650
Due to immediate holding company	**6,000**	10,860
	19,161	69,494

36. FAIR VALUE AND FAIR VALUE HIERARCHY

Assets measured at fair value:

The Company did not have any financial assets measured at fair value as at 31 December 2010 (2009: Nil).

Liabilities measured at fair value:

The Company did not have any financial liabilities measured at fair value as at 31 December 2010 (2009: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise interest-bearing bank and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Company 's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Company exposures to the risk of changes in market interest relates primarily to the Company's bank loan (note 25) with a floating interest rate. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings) and the Company's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB*	**Increase/ (decrease) in in equity*** *RMB*
31 December 2010			
Renminbi	**1%**	**–**	**–**
	(1%)	**–**	**–**
31 December 2009			
Renminbi	1%	(246,500)	(246,500)
	(1%)	246,500	246,500

* Excluding accumulated losses

Foreign currency risk

The Company does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

Credit risk

The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

The credit risk of the Company's other financial assets, which comprise cash and cash equivalents and amount due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality and state-owned banks with good reputation in the PRC.

Since the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Company.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

31 December 2010

	On demand or no fixed terms of repayment *RMB'000*	**1 to 5 years** *RMB'000*	**Total** *RMB'000*
Trade payables	**3,777**	**–**	**3,777**
Financial liabilities included in other payables and accrued expenses	**9,114**	**–**	**9,114**
Due to immediate holding company	**–**	**6,000**	**6,000**
	12,891	**6,000**	**18,891**

31 December 2009

	On demand or no fixed terms of repayment *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
Trade payables	2,827	–	2,827
Financial liabilities included in other payables and accrued expenses	31,157	–	31,157
Due to immediate holding company	–	10,860	10,860
Interest-bearing bank and other borrowings	24,650	–	24,650
	58,634	10,860	69,494

Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders of issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Company monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other payable and accruals, and amount due to immediate holding company and interest-bearing bank loans, less cash and cash equivalents, Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of reporting periods were as follows:

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**3,777**	2,827
Other payables and accruals	**9,384**	31,239
Interests-bearing bank borrowings, secured	**–**	24,650
Due to immediate holding company	**6,000**	10,860
Less: Cash and cash equivalents	**(11,770)**	(471)
Net debt	**7,391**	69,105
Equity attributable to owners of the Company	**17,339**	(29,666)
Total capital	**17,339**	(29,666)
Capital and net debt	**24,730**	39,439
Gearing ratio	**29%**	175%

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
REVENUE	**21,362**	20,365	31,604	38,302	42,841
Cost of sales	**(19,992)**	(19,323)	(30,890)	(36,600)	(40,472)
Gross profit	**1,370**	1,042	714	1,702	2,369
Other income and gains	**5,464**	12,519	1,704	1,321	2,678
Distribution costs	**(357)**	(212)	(1,313)	(1,463)	(2,543)
Administrative expenses	**(7,141)**	(5,872)	(6,424)	(8,270)	(11,354)
Finance costs	**(803)**	(509)	(523)	(530)	(740)
Write-off on trade receivables	**–**	(103)	(38)	(320)	(13,908)
Write off on deposits and prepayments	**–**	–	–	(202)	–
Impairment losses on loans receivable from former controlling shareholder	**–**	–	(1,009)	(1,235)	(11,060)
Provisions for loss on financial guarantees	**(190)**	(670)	(882)	(887)	(33,564)
Reimbursement receivable for loss on financial guarantees	**190**	670	882	887	33,564
Reversal of/(provision for) impairment loss on reimbursement receivables for loss on financial guarantees	**23,940**	(670)	(697)	(825)	(21,748)
PROFIT/(LOSS) BEFORE TAX	**22,473**	6,195	(7,586)	(9,822)	(56,306)
Income Tax expense	**–**	–	–	–	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**22,473**	6,195	(7,586)	(9,822)	(56,306)
Attributable to:					
Owners of the Company	**22,473**	6,195	(7,586)	(9,822)	(56,306)
ASSETS AND LIABILITIES					
TOTAL ASSETS	**36,500**	39,910	56,541	70,944	84,937
TOTAL LIABILITIES	**(19,161)**	(69,576)	(92,402)	(99,219)	(103,390)
	17,339	(29,666)	(35,861)	(28,275)	(18,453)

This summary does not form part of the audited financial statements.