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 2013

* For identification purposes only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Jin Hui
Mr. Gong Xu Lin
Mr. Shen Jian Zhong

Non-Executive Directors

Ms. Chai Xiao Fang
Ms. Wang Xiang

Independent Non-Executive Directors

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
Mr. Gong Xu Lin

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 2013, the Group recorded total revenue of RMB113,411,000 and profit attributable to the shareholders of RMB7,839,000. The Group's revenue was derived principally from its manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products) in the PRC (excluding Hong Kong) and overseas, provision of fire technology inspection services, manufacture and trading of iron casted grooved couplings and trading of sanitary-ware and other products.

SALES

The Group's revenue increased by RMB12,927,000 from RMB100,484,000 in 2012 (restated) to RMB113,411,000 in 2013.

PROSPECT

The Company's fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Company can meet the diversified needs of the customers. In addition, the Company's fire extinguishers for non-marine use are granted the Certificate for Product Type Approval by the CCCF and its fire extinguishers for marine use are granted the Certificates of Type Approval by the China Classification Society, Shanghai Branch ("CCS"). The Company's pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the USA and the European Union. The high quality of the Company's products will enhance the competitiveness in the market. Shanghai Anchor Pressure Vessel (Group) Co., Ltd. (上海鐵錨壓力容器(集團)有限公司) and its subsidiaries ("Anchor Group") possesses the Manufacture Licence of Special Equipment (特種設備製造許可證) for high-pressure vessels, seamless gas cylinders, welded gas cylinders, special gas cylinders, Category I pressure vessels, and Category II low and medium pressure vessels. Such licence is issued by the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局). Anchor Group also holds the Manufacture Enterprise Licence of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use. Such licence is issued by Shanghai Food and Drug Administration (上海市食品藥品監督管理局) and will expire on 30 January 2016. Because of tightened regulatory procedures, production of dry powder fire extinguisher in Shanghai Qingpu Fire Fighting Equipment Company Limited has been stopped on 16 March 2014 pending the renewal of manufacturing licenses. The directors are confident that there is no major obstacle in completing the renewal procedures and consider that there will not be a material impact on sales and production of the Group. For the year ended 31 December 2013, revenue of dry powder extinguishers is approximately 7% of the Group's total revenue.

With the pressure vessel products of Anchor Group, such as boiler tubes, pressure cylinders for military use, medical use, and LPG or CNG cylinders for motor vehicles, the Company will be able to expand its product range and diversify its pressure vessel business. Anchor Group also possesses some product permits, such as the Manufacture Enterprise Licence of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use, which will enable the Company to enter into the new market.

Measures have been and will be implemented continuously to improve the operation efficiency and to control production costs. Production will be more focused on higher-margin products and production of lower-margin products will be reduced to raise the overall profit margin of the Company. With the economic uncertainties in China in 2014, the Company intends to improve the profitability of the Group by increasing the operation efficiency and reducing the overhead expenses. Production in Shanghai Qingpu Fire Fighting Equipment Company Limited, Jiangshan Branch Company ("Jiangshan Branch") will be stopped as part of overhead expenses reduction plan. For the year ended 31 December 2013, revenue in Jiangshan Branch is 0.6% of the Group. The cessation of the Jiangshan Branch production will not have a material impact on the business and operation of the Group.

LONG TERM STRATEGY

We believe that the Company, 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. The Company will continue to develop new market of high margin products/businesses and also prudently consider acquiring relevant enterprises which possess sound profitability by way of capital increment in accordance with the relevant laws and regulations 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. The Group is also actively seeking for opportunity to consolidate production procedures and plants in order to further reduce overhead expenses and maximize production efficiency.

OUR PEOPLE

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

DIRECTORS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group

For the year ended 31 December 2013, the Group recorded a turnover of approximately RMB113,411,000 (year ended 31 December 2012 (restated): RMB100,484,000), representing a increase of approximately 13% over the corresponding period of last year.

The Qingpu Group

For the year ended 31 December 2013, the turnover increased from approximately RMB35,735,000 to RMB49,593,000, representing an increase of approximately 39% over the corresponding period of last year. The increase is a result of the efforts of the sales department of the Company including the commencement of the sale of iron casted grooved coupling started from the second half of 2012.

The Anchor Group

For the year ended 31 December 2013, the turnover decreased from approximately RMB65,319,000 to RMB63,882,000, representing a decrease of approximately 2% over the corresponding period of last year. This is due to some unsuccessfully tender projects.

GROSS PROFITS

The Group

For the year ended 31 December 2013, the Group recorded overall gross profit of approximately RMB23,387,000 (year ended 31 December 2012 (restated): RMB19,923,000), representing an increase of approximately 17% over the corresponding period of last year.

The Qingpu Group

For the year ended 31 December 2013, the gross profit increased from approximately RMB9,027,000 to RMB13,174,000. The gross margin increased by 2 percentage points to 27% from 25% of corresponding period of last year. Such increase was primarily attributable to the Group's improvement in control of sales cost, as well as the sales of new products/services with a higher margin. The fire technology inspection services provided a high gross margin.

The Anchor Group

For the year ended 31 December 2013, the gross profit decreased from approximately RMB10,896,000 to RMB10,213,000. The gross margin decreased by 1 percentage points to 16% from 17% of corresponding period of last year. This is due to a lower gross margin in trading of products in this period.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME AND GAINS

The Group

Other income and gains for the year ended 31 December 2013 decreased by approximately RMB242,000 from RMB4,762,000 (restated) for the year ended 31 December 2012 to approximately RMB4,520,000.

The Qingpu Group

For the year ended 31 December 2013, other income and gains decreased from approximately RMB4,337,000 to RMB3,781,000, representing a decrease of approximately 13% over the corresponding period of last year. This is mainly due to a decrease in sales of scraps.

The Anchor Group

For the year ended 31 December 2013 and 2012, other income and gains are approximately RMB1,225,000 and RMB772,000, respectively.

SELLING AND DISTRIBUTION COSTS

The Group

For the year ended 31 December 2013, the Group's selling and distribution costs increased to approximately RMB2,874,000 from RMB2,819,000 (restated), representing an increase of 2% over the corresponding period of last year.

The Qingpu Group

For the year ended 31 December 2013, the selling and distribution cost increased from approximately RMB842,000 to RMB903,000, representing a increase of 7% due to the increase in turnover.

The Anchor Group

For the year ended 31 December 2013, the selling and distribution cost increased from approximately RMB2,324,000 to RMB2,457,000, representing an increase of 6%. This is due to an increase in transportation expenses.

ADMINISTRATIVE EXPENSES

The Group

For the year ended 31 December 2013, the Group's administrative expenses amounted to approximately RMB15,226,000 (year ended 31 December 2012 (restated): approximately RMB14,858,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Qingpu Group

For the year ended 31 December 2013, the administrative expenses increased from approximately RMB6,222,000 to RMB6,532,000, representing an increase of 5%. This is mainly due to the increase in internal and external training courses provided to staff.

The Anchor Group

For the year ended 31 December 2013 and 2012, administrative expenses are approximately RMB8,694,000 and RMB8,636,000, respectively.

FINANCE COSTS

No finance costs were recorded for the year ended 31 December 2013 and 2012.

PROFIT FOR THE YEAR

For the year ended 31 December 2013, the Group recorded profit for the year of approximately RMB8,089,000 (year ended 31 December 2012 (restated): RMB6,240,000), representing an increase of approximately 30%, which was primary attributable to the increase in sales of iron casted grooved coupling which was commenced in the second half of 2012.

INCOME TAX

Pursuant to the relevant PRC tax regulations, the normal Enterprise Income Tax ("EIT") rate is 25%.

The EIT is calculated on the estimated assessable profits at 25% for the year ended 31 December 2013 after offsetting against tax losses brought forward from previous years (year ended 31 December 2012: 25%).

NON-CONTROLLING INTERESTS

For the year ended 31 December 2013 and 2012, profit for the period attributable to non-controlling interests are approximately RMB250,000 and RMB436,000 (restated), respectively.

EMPLOYEES

As at 31 December 2013, the Group had 318 employees (2012(restated): 419 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group 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 Group's relationship with its employees to be good.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Jin Hui (周金輝), aged 43, has been an executive Director since July 2009. He is the chairman of the Company and a director of Liancheng HK, Liancheng, and Hengtai Real Estate. Mr Zhou started management of business in 1996 when he co-founded Jiangshan Construction Decoration Engineering Ltd.* (江山市建築裝飾配套工程有限公司). He was a founder of Jiangshan Hengtai Real Estate Co. Ltd.* (江山市恒泰房地產有限公司) in 1998 which was converted into Hengtai Real Estate in 2003. Mr Zhou completed the business administration programme in the International Business University of Beijing* (北京國際商務學院) in 1998 and the training programme for senior manager in Tsinghua University* (清華大學) in 2005. In addition, he was conferred the degree of Master of Business Administration from the University of Management and Technology, Commonwealth of Virginia, the United States of America in 2007.

Mr. Shen Jian Zhong (沈建忠), aged 48, has been an executive Director since April 2011. In April 2011, he joined the Company as the general manager. He has more than 26 years of experience in the relevant industry as explained below. He had worked in Shanghai Sanhe Hydro Power Equipment Co., Ltd.* (上海三和水利電力設備有限公司) from July 1985 to November 1998 in various positions, including worker, supervisor, and deputy general manager. In November 1998, he joined the Company and worked as deputy general manager and general manager till August 2006. He then worked in Shanghai High Pressure as deputy general manager from August 2006 to January 2007, Shanghai Shenwei Medical Use Gas Co., Ltd.* (上海申威醫用氣體有限公司) as project director from February 2007 to December 2009, and Shanghai Pujiang Special Gas Co., Ltd.* (上海浦江特種氣體有限公司) as deputy general manager from January 2010 to December 2010. Mr Shen graduated from Shanghai Agricultural Machinery Industrial Bureau Machinery Manufacture School* (上海市農業機械工業局機械製造學校) in 1985.

Mr. Gong Xu Lin (龔需林), aged 39, has been an executive Director since April 2011. He was appointed as a non-executive Director in August 2009. He has been the manager of the legal department of Liancheng since March 2007. Mr Gong has over 19 years of experience in managing legal affairs. Mr Gong worked in Zhejiang Wancheng Law Office* (浙江萬盛律師事務所) from October 2000 to March 2007 and was an executive (職務科員) of the Bureau of Justice in Jiangshan City* (江山市司法局) from August 1993 to October 2000. Mr Gong graduated from Zhejiang Law School* (浙江法律學校) and completed the law course jointly organised by China Central Radio & TV University* (中央廣播電視大學) and the China University of Political Science and Law* (中國政法大學) in 2004.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Ms. Chai Xiao Fang (柴曉芳), aged 50, has been a non-executive Director since July 2009. She has more than 17 years of experience in finance and management. She has also been the deputy general manager of Hengtai Real Estate since June 2003. Prior to joining Hengtai Real Estate in June 2003, she worked in the Jiangshan branch of China Construction Bank as relationship manager from December 1994 to May 2003. Ms Chai completed the accountancy programme in Zhejiang Province Zhonghua Accountancy Distant Learning College* (浙江省中華會計函授學院) and the economic and management programme in Hangzhou University* (杭州大學) in 1996. In addition, she completed the law programme of network education in China University of Geosciences* (中國地質大學) in 2005 and the training programme for financial controller in 2006 and the training programme for senior manager in 2008 both organised by the Professional Managers Training Centre* (職業經理訓練中心) in Tsinghua University* (清華大學).

Ms. Wang Xiang (王翔), aged 52, has been an non-executive Director since August 2009. She has over 3 years of experience in finance and accounting. She was the chief accountant and deputy general manager of Shanghai Huasheng during the period from September 2006 to April 2007. Prior to joining Shanghai Huasheng, she 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) from April 2002 to February 2005. Ms Wang completed the economic management programme in the People's Liberation Army of China Nanjing Political College* (中國人民解放軍南京政治學院) in 2002. Further, she also completed the professional postgraduate programme of management science and engineering from Shanghai University* (上海大學) in 2003. She was conferred the qualification of a certified internal auditor under China Institute of Internal Audit* (中國內部審計協會) in 2007, the qualification of an accountant under the Shanghai Light Industry Bureau Intermediate Accounting Professional Skill Occupational Eligibility Assessment Committee* (上海市輕工業局會計系列中級專業技術職務在職資格評審委員會) in 1992, the qualification of a senior business operator recognised 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), and the qualification of a certified public accountant in the PRC as recognised by the Ministry of Finance Certified Public Accountant Examination Committee* (財政部註冊會計師考試委員會) in 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guo Zhong (王國忠), aged 56, has been an independent non-executive Director since October 2000. He has over 20 years of experience in legal practice. He has been the person in charge (主任) of Shanghai Keenmore Law Office* (上海市金馬律師事務所) since October 1992. Mr Wang graduated from Shanghai Fudan University* (上海復旦大學) with a bachelor's degree in law in April 1983. He was conferred the qualification of professional lawyer by Shanghai Justice Bureau (上海市司法局) in January 2010.

Mr. Yang Chun Bao (楊春寶), aged 57, has been an independent non-executive Director since October 2000. He has more than 31 years of experience in finance and accounting. Mr Yang was admitted as a certified public accountant and he joined Shanghai Huashen Certified Public Accountants Ltd.* (上海華申會計師事務所有限公司) in November 1973 and became a deputy supervisor (副主任) in June 2005. In July 2011, he was promoted to be the accountant-in-charge (主任會計師) of the firm. Mr Yang was conferred a degree of Master of Science in Business Administration by Madonna University at Livonia, Michigan, the USA in December 1999.

Mr. Zhang Cheng Ying (張承纓), aged 67, has been an independent non-executive Director since August 2009. He is also an independent director of SOYEA Technology Co., Ltd.* (數源科技股份有限公司), a company listed on the Shenzhen Stock Exchange. He has over 26 years of experience in public administration. He was the Secretary for the Zhejiang Province State-owned Assets Supervision and Administration Commission* (浙江省國有資產管理局) from November 1989 to July 1995, and the commissioner and deputy commissioner of the Zhejiang Province Finance Supervisory Commissioner Office of Ministry of Finance* (財政部駐浙江省財政監察專員辦事處) from July 1995 to February 2005. He had worked in the Zhejiang Provincial Civil Air Defence Office* (浙江省人民防空辦公室) during the period from October 1978 to November 1989. Mr Zhang completed the industrial and electrical automation programme (工業電氣自動化) in Zhejiang University* (浙江大學) in 1975.

The Directors at the time of the resumption of trading in the H Shares will remain with the Company's board of directors after the resumption of trading in the H Shares.

SENIOR MANAGEMENT

Mr. Mao Qian Meng (毛謙孟), aged 48, has been the deputy general manager of the Company since November 2008. He has more than 14 years of experience in the fire-fighting equipment industry. He worked as the manager of Xinjiang Korla Yinjian Fire-fighting Equipment Co., Ltd.* (新疆庫爾勒銀劍消防設備有限責任公司) during the period from January 1994 to December 2003.

Mr. Wan Xi Zhong (宛西中), aged 52, is the chief engineer of the Company. He has more than 27 years of experience in the equipment manufacturing industry. He joined the Company in October 2000 and had worked as the deputy manager and manager of the development department, assistant to general manager, and the chief engineer. Before he joined the Company, he had worked in various positions, including deputy manager and manager of the technical department of Baosteel Group People's Machinery Factory* (寶鋼集團人民機械廠) during the period from July 1985 to July 2000. Mr Wan graduated from Jiangxi National Defence Industry Staff College* (江西省國防工業職工大學) with studies in mechanical manufacturing in 1985.

Mr. Xiao Li Jun (肖立軍), aged 52, is the deputy general manager of the Company. He has more than 6 years of experience in production management. He joined the Company in September 2006 as a production manager. He joined Qingpu Fire-fighting Equipment Factory* (青浦消防器材廠) in 1979.

Mr. Zhao Da Rong (趙大榮), aged 44, has been the office manager of the Company since November 2006. He has over 20 years of experience in general management. Before he joined the Company, he had worked as the deputy office manager and office manager of Shanghai Huasheng during the period from December 1997 to November 2006, and as the office manager and deputy general manager of Shanghai Huasheng Fine Chemicals Co., Ltd.* (上海華盛精細化工有限公司) from February 1992 to December 1997. Mr Zhao graduated from Shanghai Anting Teachers Training School with a major in education in July 1988. He completed the training course of intermediate professional manager (national professional qualification Grade 2) (中級職業經理人(國家職業資格二級)培訓班) held by Shanghai Centre for Quality of Management (上海卓越管理中心) in August 2008.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Luo Jun (駱軍), aged 40, is the technical manager of the Company. He has more than 9 years of experience in industrial techniques. He joined the Company in January 2004 and had been working as technician and technical manager. He had worked as a technician in Baosteel People's Machinery Factory* (寶鋼集團人民機械廠) during the period from August 1996 to January 2000. Mr Luo graduated from Nanchang Hankong Industrial College* (南昌航空工業學院) with studies in metal forming process and equipment in 1996.

Ms. Shi Yan (石燕), aged 47, is the manager of quality inspection department of the Company. She has over 18 years of experience in quality control. She joined the Company in December 2006 as the manager of quality inspection department. Before this, she had worked as the deputy manager of the quality inspection department of Shanghai Huasheng during the period from September 2003 to November 2004 and as quality inspector of Shanghai Unilever Co., Ltd. (上海聯合利華股份有限公司) during period from July 1986 to July 2003. Ms Shi completed professional studies from Shanghai No. 2 Light Industry School* (上海市第二輕業學校).

Mr. Li Hua (李華), aged 52, is the production facility manger of the Company. He has more than 22 years of experience in factory manufacturing. In 1979, he worked in Qingpu Fire-fighting Equipment Factory* (青浦消防器材廠). He worked in Qingpu Shanhu Machinery Factory* (青浦山湖機械廠) from January 1990 to February 2001 as a workshop supervisor. In March 2001, he joined the Company and worked as workshop supervisor, deputy manager and manager of the production facility department.

Ms. Xing Li Juan (刑麗娟), aged 32, has been the general manager of Liming since May 2009. She has over eight years of experience in fire testing and consultancy. Prior to joining Liming, she worked in Shanghai Tianlin Fire Safety Engineering Co., Ltd.* (上海天淋消防安全工程有限公司) during the period from July 2004 to May 2009. Ms Xing graduated from Jilin Construction Engineering College* (吉林建築工程學院) with a bachelor's degree in electrical engineering and automation in 2004. She was conferred the qualification of engineer by the Shanghai Professional Test Authority* (上海市職業能力考試院) in 2010 and the qualification of fire technology inspecting services (消防技術檢測服務) by the Shanghai Fire Protection Association (上海市消防協會) in 2009.

Mr. Shi Huixing (史惠星), aged 55, a director and the general manager of 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Ltd.*) ("Special Cylinder"). Mr. Shi has been working in Special Cylinder since 2007. Mr. Shi graduated from the Shanghai Light Industry Bureau Committee China Communist Party School (中共上海市輕工業局委員會黨校) with studies in political party management (政黨管理) in 1992 and was conferred the qualification of senior occupational manager (grade 1) (高級職業經理人(一級)) in 2009 by the Appraisal Centre of Occupational Capability of Shanghai (上海市職業技能鑒定中心).

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Wong Kwan Pui, aged 54, 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, Supervisors shall be elected at general meetings of the Company for a term of three years. Mr. Mao Jiang Wei, Mr. Wan Xi Zhong and Mr. Zhao Da Rong have been re-elected as Supervisors of the Company at the General Meeting held on 11 April 2011.

COMPLIANCE OFFICER

Mr. Gong Xu Lin was appointed as compliance officer on 11 April 2011.

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) and Appendix 15 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 in respect of 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 eight members, including three executive Directors, Mr. Zhou Jin Hui, Mr. Gong Xu Lin and Mr. Shen Jian Zhong, two non-executive Directors, Ms. Chai Xiao Fang and Ms. Wang Xiang, and three independent non-executive Directors, Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying. Their term of office will end upon the commencement of the 2014 annual general meeting where re-election would be conducted.

The Board conducted 7 meetings in 2013 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 2013 in details:

Directors		**Number of Meetings/Attendance**
Executive Directors	Mr. Zhou Jin Hui	7/7
	Mr. Gong Xu Lin	7/7
	Mr. Shen Jian Zhong	7/7
Non-executive Directors	Ms. Chai Xiao Fang	7/7
	Ms. Wang Xiang	7/7
Independent non-executive Directors	Mr. Wang Guo Zhong	7/7
	Mr. Yang Chun Bao	7/7
	Mr. Zhang Cheng Ying	7/7

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND GENERAL MANAGER

During the year 2013, Mr. Zhou Jin Hui and Mr. Shen Jian Zhong 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 2013, none of Directors (other than executive director Mr. Shen Jian Zhong and independent non-executive director Mr. Zhang Cheng Ying, Mr. Wang Guo Zhong and Mr. Yang Chun Bao) of the Company received emoluments for the year ended 31 December 2013. Details of emoluments of Directors are set out in note 7 of the consolidated 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. On 11 April 2011, the Company has appointed new Directors with a term until the commencement of the 2014 general meeting where re-election would be conducted.

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 2013 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 and Chai Xiao Fang possess appropriate professional qualification and financial experience.

4 meetings have been conducted by the audit committee in 2013 for reviewing and discussion of the operating results, financial position and significant accounting policies and internal auditing issues of the Company for the year ended 31 December 2012, for the six months ended 30 June 2013 and for the three months ended 31 March 2013 and 30 September 2013, and taking advice of auditors on the Company.

The following table sets out the attendance of the committee's meeting in 2013:

Committee members	Attendance/Number of meetings
Yang Chun Bao	4/4
Zhang Cheng Ying	4/4
Chai Xiao Fang	4/4

REMUNERATION COMMITTEE

The Remuneration Committee of the Company for the year 2013 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 2013, the Nomination Committee comprises of one executive Director, Mr. Zhou Jin Hui and two independent non-executive Directors, Mr. Yang Chun Bao and Mr. 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.

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$440,000 and HK$ Nil, respectively.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries are the manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products*), provision of fire technology inspection services, manufacture and trading of iron casted grooved couplings and trading of sanitary-ware and other products*.

* The activities of the manufacture and sale of pressure vessels products and the trading of sanitary-ware and other products were carried out by Shanghai Anchor Pressure Vessel (Group) Co., Ltd. ("Anchor") and its subsidiaries (the "Anchor Group"). Anchor was acquired by the Group from 聯城消防集團股份有限公司 (literally translated as "Liancheng Fire-Fighting Group Joint Stock Co., Ltd.", "Liancheng") during the year (the "Acquisition") (note 29). The Acquisition, which is considered by the directors as a business combination under common control, is accounted for using merger accounting (note 2.1).

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company at the date are set out in the consolidated financial statements on pages 27 to 107.

The directors of the Company do not recommend the payment of any dividend in respect of the year (2012: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 108. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant, equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the consolidated financial statements, respectively.

SHARE CAPITAL

There is no change in registered, issued and fully paid capital of the Company during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's 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 and its subsidiaries did not purchase, redeem or sell any of the Company's listed securities during the year.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and the Company during the year is set out in the consolidated statement of changes equity and in note 28 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2013, 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 Nil.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 26% of the total sales for the year and sales to the largest customer included therein amounted to approximately 10%. Purchases from the Group's five largest suppliers accounted for approximately 47% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 13%.

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 Group's five largest customers.

DIRECTORS

The Directors of the Company as of the date of this report were:

Executive Directors:
Mr. Zhou Jin Hui
Mr. Gong Xu Lin
Mr. Shen Jian Zhong

Non-executive Directors:
Ms. Chai Xiao Fang
Ms. Wang Xiang

Independent non-executive directors:
Mr. Yang Chun Bao
Mr. Wang Guo Zhong
Mr. Zhang Cheng Ying

The Company has received annual confirmations of independence from 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 Group are set out on page 10 to 14 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. On 11 April 2011, the Company has re-elected Directors with a term until the commencement of the 2014 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 Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries were 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 nor any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

MATERIAL ACQUISITION

Other than the acquisition under common control as set out in note 29 to the consolidated financial statements, the Group did not have any material acquisition during the year ended 31 December 2013.

DIRECTORS' REPORT

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

As at 31 December 2013, 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 ("Liancheng") 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. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang 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.

   Liancheng is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

Save as disclosed above, as at 31 December 2013, 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 2013, 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 *(Note 2)*	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%
Lee Yuet Wah	Held by controlled corporation	16,628,000 *(Note 3)*	8.87%
Best Forth Limited	Held by controlled corporation	16,628,000 *(Note 3)*	8.87%
Ample Cheer Limited	Held by controlled corporation	16,628,000 *(Note 3)*	8.87%
Kingston Finance Limited	Person having a security interest in shares	16,628,000 *(Note 3)*	8.87%

Notes:

1. All represent domestic shares of the Company.

2. Liancheng Fire-Fighting Group Company Limited ("Liancheng") 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. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhejiang 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.

   Liancheng is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

3. Kingston Finance Limited has a security interest in 16,628,000 H shares of the Company. Ample Cheer Limited, 80% of which is held by Best Forth Limited, holds 100% of Kingston Finance Limited. Lee Yuet Wah holds 100% of Best Forth Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests representing 5% or more in the issued shares capital of the Company as at 31 December 2013.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Company are set out in note 32 to the consolidated financial statements. The Company has sold fire extinguisher steel cylinders and aluminum cylinders to the subsidiaries of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.. 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.

Ascenda Cachet CPA Limited ("Cachet"), the Company's auditors, had been engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Cachet have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.38 of the GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

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 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.

AUDITORS

There has been no changes of auditors in the past three years. A resolution to re-appoint Ascenda Cachet CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

* *for identification purposes only*

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

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 consolidated financial statements of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 107, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated 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 for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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.

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and the Group'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 Chi Yuen
Practising Certificate Number P02671
Hong Kong

24 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Revenue	5	**113,411**	100,484
Cost of sales		**(90,024)**	(80,561)
Gross profit		**23,387**	19,923
Other income and gains	5	**4,520**	4,762
Selling and distribution expenses		**(2,874)**	(2,819)
Administrative expenses		**(15,226)**	(14,858)
Finance costs		**–**	–
Profit before tax	6	**9,807**	7,008
Income tax expense	9	**(1,718)**	(768)
Profit for the year		**8,089**	6,240
Attributable to:			
Owners of the Company		**7,839**	5,804
Non-controlling interests		**250**	436
		8,089	6,240
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic (RMB cents)		**4**	3
Diluted (RMB cents)		**4**	3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**8,089**	6,240
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,089**	6,240
Attributable to:		
Owners of the Company	**7,839**	5,804
Non-controlling interests	**250**	436
	8,089	6,240

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**31 December 2013** *RMB'000*	31 December 2012 *RMB'000* (Restated)	1 January 2012 *RMB'000* (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	**14,005**	16,562	18,361
Investment properties	*14*	**24,370**	23,370	22,150
Prepaid land lease payments	*15*	**122**	125	128
Total non-current assets		**38,497**	40,057	40,639
CURRENT ASSETS				
Inventories	*17*	**17,511**	21,209	19,695
Trade and bills receivables	*18*	**18,886**	21,918	20,932
Prepayments, deposits and other receivables	*19*	**16,237**	7,128	5,592
Due from fellow subsidiaries	*20*	**3,252**	844	268
Due from non-controlling interest	*20*	**–**	250	250
Loans receivable from former controlling shareholder	*21*	**–**	–	–
Cash and cash equivalents	*23*	**25,267**	21,833	16,242
Total current assets		**81,153**	73,182	62,979
CURRENT LIABILITIES				
Trade payables	*24*	**12,402**	10,676	12,417
Other payables and accruals	*25*	**13,834**	10,437	12,081
Due to immediate holding company	*26*	**906**	13,456	7,480
Due to non-controlling interest	*26*	**1,496**	1,860	2,053
Tax payables		**324**	187	265
Total current liabilities		**28,962**	36,616	34,296
NET CURRENT ASSETS		**52,191**	36,566	28,683
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,688**	76,623	69,322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2013

	Notes	**31 December 2013 *RMB'000***	31 December 2012 *RMB'000* (Restated)	1 January 2012 *RMB'000* (Restated)
NON-CURRENT LIABILITIES				
Loan from immediate holding company	*26*	**7,800**	1,800	1,800
Deferred tax liabilities	*22(b)*	**4,370**	4,120	3,815
Total non-current liabilities		**12,170**	5,920	5,615
Net assets		**78,518**	70,703	63,707
EQUITY				
Equity attributable to owners of the Company				
Issued capital	*27*	**18,743**	18,743	18,743
Reserves	*28*	**60,108**	52,304	45,502
		78,851	71,047	64,245
Non-controlling interests		**(333)**	(344)	(538)
Total equity		**78,518**	70,703	63,707

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the Company									
	Issued capital	Share premium account*	Capital reserve*	Statutory reserve funds*	Discretionary common reserve fund*	Asset revaluation reserve*	Accumulated losses*	Total	Non–controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*	*(note 28)*					
At 1 January 2012:										
– As previously reported	18,743	10,910	24,079	5,036	1,500	11,299	(26,850)	44,717	397	45,114
– Adjustment for business combination under common control *(notes 2.1 and 29)*	–	–	18,521	72	–	–	935	19,528	(935)	18,593
– As restated	18,743	10,910	42,600	5,108	1,500	11,299	(25,915)	64,245	(538)	63,707
Total comprehensive income for the year	–	–	–	–	–	–	5,804	5,804	436	6,240
Transfer to statuary reserve funds	–	–	–	445	–	–	(502)	(57)	57	–
Waiver of amount due to immediate holding company *(note 32(b))*	–	–	1,055	–	–	–	–	1,055	–	1,055
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(299)	(299)
At 31 December 2012	18,743	10,910	43,655	5,553	1,500	11,299	(20,613)	71,047	(344)	70,703
At 1 January 2013:										
– As previously reported	18,743	10,910	25,134	5,468	1,500	11,299	(21,828)	51,226	552	51,778
– Adjustment for business combination under common control *(notes 2.1 and 29)*	–	–	18,521	85	–	–	1,215	19,821	(896)	18,925
– As restated	18,743	10,910	43,655	5,553	1,500	11,299	(20,613)	71,047	(344)	70,703
Total comprehensive income for the year	–	–	–	–	–	–	7,839	7,839	250	8,089
Transfer to statuary reserve funds	–	–	–	317	–	–	(352)	(35)	35	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(274)	(274)
At 31 December 2013	18,743	10,910	43,655	5,870	1,500	11,299	(13,126)	78,851	(333)	78,518

* These reserve accounts comprise the consolidated reserves of approximately RMB60,108,000 (2012: approximately RMB52,304,000 (restated)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,807**	7,008
Adjustments for:			
Amortisation of prepaid land lease payments	6	**3**	3
Depreciation of property, plant and equipment	6	**2,666**	2,718
Gain on disposal of items of property, plant and equipment	5	**(116)**	(107)
Fair value gains on investment properties	5	**(1,000)**	(1,220)
Write off of items of property, plant and equipment	6	**10**	1
Impairment of trade and bills receivables	6	**400**	–
Interest income	5	**(248)**	(64)
		11,522	8,339
Decrease/(increase) in inventories		**3,698**	(1,514)
Decrease/(increase) in trade and bills receivables		**2,632**	(986)
Increase in prepayments, deposits and other receivables		**(9,109)**	(1,536)
Increase/(decrease) in trade payables		**1,726**	(1,741)
Increase/(decrease) in other payables and accruals		**3,397**	(1,644)
Increase in amounts due from fellow subsidiaries		**(2,408)**	(576)
Cash generated from operations		**11,458**	342
Corporate income tax paid		**(1,331)**	(541)
Net cash flows from/(used in) operating activities		**10,127**	(199)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 *RMB'000* (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	*13*	**(442)**	(925)
Proceeds from disposal of items of property, plant and equipment		**439**	112
Decrease in amount due from non-controlling interest		**250**	–
Interest received		**248**	64
Net cash flows from/(used in) investing activities		**495**	(749)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment to)/advance from immediate holding company		**(6,550)**	7,031
Repayment to non-controlling interest		**(364)**	(193)
Dividend paid to non-controlling interests		**(274)**	(299)
Net cash flows (used in)/from financing activities		**(7,188)**	6,539
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,434**	5,591
Cash and cash equivalents at beginning of year		**21,833**	16,242
CASH AND CASH EQUIVALENTS AT END OF YEAR		**25,267**	21,833
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**25,267**	21,833

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,386**	8,893
Investment properties	14	**24,370**	23,370
Prepaid land lease payments	15	**122**	125
Investment in subsidiaries	16	**7,200**	1,800
Total non-current assets		**39,078**	34,188
CURRENT ASSETS			
Inventories	17	**6,574**	7,024
Trade and bills receivables	18	**4,414**	8,102
Prepayments, deposits and other receivables	19	**10,776**	1,368
Due from fellow subsidiaries	20	**3,252**	844
Due from subsidiaries	16	**3,342**	1,071
Loans receivable from former controlling shareholder	21	**–**	–
Cash and cash equivalents	23	**14,418**	9,328
Total current assets		**42,776**	27,737
CURRENT LIABILITIES			
Trade payables	24	**4,860**	3,615
Other payables and accruals	25	**8,856**	3,847
Due to immediate holding company	26	**306**	–
Tax payables		**151**	–
Total current liabilities		**14,173**	7,462
NET CURRENT ASSETS		**28,603**	20,275
TOTAL ASSETS LESS CURRENT LIABILITIES		**67,681**	54,463

STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2013

	Notes	**2013** *RMB'000*	2012 *RMB'000*
NON-CURRENT LIABILITIES			
Loan from immediate holding company	*26*	**(7,800)**	(1,800)
Deferred tax liabilities	*22(b)*	**(4,370)**	(4,120)
Total non-current liabilities		**(12,170)**	(5,920)
Net assets		**55,511**	48,543
EQUITY			
Issued capital	*27*	**18,743**	18,743
Reserves	*28(b)*	**36,768**	29,800
Total equity		**55,511**	48,543

Director

Director

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 was 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.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products*);
- provision of fire technology inspection services;
- manufacture and trading of iron casted grooved couplings; and
- trading of sanitary-ware and other products*.

* The activities of the manufacture and sale of pressure vessels products and the trading of sanitary-ware and other products were carried out by Shanghai Anchor Pressure Vessel (Group) Co., Limited ("Anchor") and its subsidiaries (the "Anchor Group"). Anchor was acquired by the Group from 聯城消防集團股份有限公司 (literally translated as "Liancheng Fire-Fighting Group Joint Stock Co., Ltd.", "Liancheng") during the year (the "Acquisition") (note 29). The Acquisition, which is considered by the directors as a business combination under common control, is accounted for using merger accounting (note 2.1).

In the opinion of the directors, the Company's immediate holding company is 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.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM 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, except for investment properties, which have been measured at fair value.

As explained in note 29 to the consolidated financial statements, due to the application of merger accounting for business combination under common control, which involves incorporating the consolidated financial statement items of the Anchor Group in which the common control consolidation occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. Accordingly, the comparative financial information have been restated.

These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. Renminbi is the Company's functional and presentation currency.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidated.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Acquisition under common control

As detailed in note 29 to the consolidated financial statements, on 29 July 2013, the Company and its direct 90%-owned subsidiary, 上海黎明消防檢測有限公司 (literally translated as "Shanghai Liming Fire Testing Co., Limited", "Liming"), collectively completed the acquisition of the entire equity interests in Anchor from Liancheng and Mr. Wang Sheng, an independent third party, resulting in an effective 99% equity interests in Anchor. In the opinion of the directors, the Acquisition is a business combination under common control since the Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition.

Acquisition under common control is accounted for using merger accounting. Merger accounting involves incorporating the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first come under the control of the controlling party. The net assets of the Group and the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the acquired entities' or business' identifiable assets, liabilities and contingent liabilities over cost of acquisition at the time of the business combinations under common control, to the extent of the continuation of the controlling party's interest. Any excess of the consideration paid over the net carrying amount of the acquired entities are recognised in capital reserve. The consolidated statement of profit and loss includes the results of the Group and the acquired entities under common control since 11 April 2011, the date when the combining entities first came under common control, regardless of the date of the business combinations under common control.

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs, which are applicable to the Group, for the first time for the current year's consolidated financial statements:

IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statement – Other Comprehensive Income*
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statement
IAS 28 (2011)	Investment in Associate and Joint Venture
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: *Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	Consolidated Financial Statement
IFRS 11	Joint Arrangement
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
Annual Improvements 2009 – 2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 13, amendments to IAS 1 and IAS 36, and certain amendments included in Annual Improvements 2009-2011 Cycle (Include other standards as appropriate), the adoption of the new and revised IFRSs has had no significant financial effect on the consolidated financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and addresses the issues in SIC – 12 Consolidation – Special Purpose Entities. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by IFRS 13 for the fair value measurement of investment properties are included in note 14 to the consolidated financial statement.

(c) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "consolidated statement of profit or loss" as introduced by the amendments in the consolidated financial statements.

(d) The IAS 36 Amendments remove the unintended disclosure requirements made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in the consolidated financial statements. The amendments have had no impact on the financial position or performance of the Group.

(e) Annual Improvements 2009-2011 Cycle sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 Presentation of Financial Statements: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(e) (Continued)

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- IAS 32 Financial Instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contribution*[2]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: *Presentation – Offsetting Financial Assets and Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: *Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRS 9	Financial Instruments[3]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*[1]
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39[3]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. Merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control consolidation occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The assets and liabilities of the acquired entities or businesses are combined using the existing book values from the controlling party's perspective.

No amount is recognised as consideration for goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination, to the extent of the continuation of the controlling party's interest. Any excess of the consideration paid over the net carrying amount of the acquired entities are recognised in capital reserve.

Comparative amounts in the consolidated financial statements are presented using the principles as set out above as if the entities or businesses had been combined at the previous reporting date unless the combining entities or businesses first came under common control at a later date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations not under common control and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination not under common control, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business not under common control, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations not under common control and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), 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 of disposal, 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 consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an 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 consolidated statement of profit or loss in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss 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 Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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 useful lives for this purpose are as follows:

Buildings	Over the shorter of the lease terms and 40 years
Machinery	8 to 10 years
Furniture, fixtures and computer equipment	6 to 10 years
Motor vehicles	4 to 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 the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including 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 consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of the investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use. Any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation, the revaluation surplus is credited to asset revaluation reserve, while the revaluation deficit is charged to the consolidated statement of profit or loss.

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 Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group 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 Group's financial assets are classified and accounted for as loans and receivables.

Subsequent measurement

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 other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group 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.

The amount of any impairment loss identified 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 yet 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. 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 Group.

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 write-off is later recovered, the recovery is credited to other expenses in the consolidated statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

The Group's financial liabilities include trade payables, other payables and accruals, and amount due to/loan from immediate holding company and amount due to non-controlling interest. The financial liabilities are classified and accounted for as loans and borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

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 consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 consolidated statement of profit or loss.

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 consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of consolidated financial position if there is a 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated 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 Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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 consolidated statement of profit or loss.

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 Group 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when 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; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- when 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group 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 Group 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;

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

(iv) from the rendering of services, when the services are provided.

Employee benefits

The employees of the Group's subsidiaries, which operate in the PRC, are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional and presentation currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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.

Judgements

In the process of applying the Group accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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 described below:

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset exceeds it recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables and other receivables

The Group's management estimates impairment of receivables resulting from the inability of the customers and related companies to make the required payments. The Group's management assessed the impairment based 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 companies were to deteriorate, actual write-offs would 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 fair value less cost to sell and its 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 Group'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.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The 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.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2013 was RMB24,370,000 (2012: RMB23,370,000).

Further details, including the key assumptions used for fair value measurement are given in note 14 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five (2012: five (restated)) reportable operating segments as follows:

(i) Fire-fighting equipment segment – manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);

(ii) Inspection services segment – provision of fire technology inspection services;

(iii) Grooved couplings segment – manufacture and trading of iron casted grooved couplings;

(iv) Trading segment – trading of sanitary-ware and other products; and

(v) Property investment segment – the property investment segment invests in office building and industrial properties for its rental income potential.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amount due to/loan from immediate holding company, tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2013

	Fire fighting equipment *RMB'000*	Inspection services *RMB'000*	Grooved couplings *RMB'000*	Trading *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Segment revenue:						
Sales/services provided to external customers	83,193	7,954	10,006	12,258	–	113,411
Gross rental income	–	–	–	–	2,442	2,442
	83,193	7,954	10,006	12,258	2,442	115,853
Segments results	1,959	3,807	858	260	2,320	9,204
Reconciliation:						
Interest income						248
Other income						372
Fair value gains on investment properties	–	–	–	–	1,000	1,000
Corporate and unallocated expenses						(1,017)
Profit before tax						9,807
Segment assets	73,799	7,223	–	14,258	24,370	119,650
Unallocated assets						–
Total assets						119,650
Segment liabilities	20,853	526	–	6,353	–	27,732
Unallocated liabilities						13,400
Total liabilities						41,132
Capital expenditure*	420	22	–	–	–	442
Depreciation and amortisation	2,465	175	–	–	–	2,640
Unallocated depreciation and amortisation	–	–	–	–	–	26
Total depreciation and amortisation	2,465	175	–	–	–	2,666

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2012

	Fire fighting equipment *RMB'000* (Restated)	Inspection services *RMB'000* (Restated)	Grooved couplings *RMB'000* (Restated)	Trading *RMB'000* (Restated)	Property investment *RMB'000* (Restated)	Total *RMB'000* (Restated)
Segment revenue:						
Sales/services provided to external customers	85,626	7,955	947	5,956	–	100,484
Gross rental income	–	–	–	–	2,202	2,202
	85,626	7,955	947	5,956	2,202	102,686
Segments results	1,683	3,036	86	(54)	2,092	6,843
Reconciliation:						
Interest income						64
Other income						150
Fair value gains on investment properties	–	–	–	–	1,220	1,220
Corporate and unallocated expenses						(1,269)
Profit before tax						7,008
Segment assets	74,010	5,784	–	9,802	23,370	112,966
Unallocated assets						273
Total assets						113,239
Segment liabilities	20,560	679	–	1,734	–	22,973
Unallocated liabilities						19,563
Total liabilities						42,536
Capital expenditure*	615	34	–	–	–	649
Unallocated capital expenditure*	–	–	–	–	–	276
Total capital expenditure	615	34	–	–	–	925
Depreciation and amortisation	2,483	197	–	11	–	2,691
Unallocated depreciation and amortisation	–	–	–	–	–	30
Total depreciation and amortisation	2,483	197	–	11	–	2,721

* Capital expenditure consists of additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
PRC	**102,838**	90,146
United States of America	**2,144**	2,772
European Union	**8,429**	7,371
Other countries	**–**	195
	113,411	100,484

The revenue information above is based on the location of the customers.

(b) Non-current assets

Non-current assets are principally located in the PRC.

Information about major customers

Revenue from transactions with a single external customer of approximately RMB11,486,000, which represented more than 10% of the Group's revenue, was derived from trading of products segment (2012: Nil). This customer is an independent third party.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of sale of pressure vessels (including fire fighting equipment products and pressure vessels products), provision of fire technology inspection services, trading of iron casted grooved couplings and trading of sanitary-ware and other products, net of business tax, value-added tax, trade discounts and returns during the year.

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Sales of pressure vessels	**83,193**	85,626
Inspection services rendered	**7,954**	7,955
Trading of iron casted grooved couplings	**10,006**	947
Trading of sanitary-ware and other products	**12,258**	5,956
Total revenue	**113,411**	100,484
Other income and gains		
Interest income	**248**	64
Gross rental income	**2,442**	2,202
Sales of scraps	**384**	759
Fair value gains on investment properties	**1,000**	1,220
Gain on disposal of items of property, plant and equipment	**116**	107
Recovery of bad debts	**–**	148
Others	**330**	262
Total other income and gains	**4,520**	4,762
Total revenue, other income and gains	**117,931**	105,246

6. PROFIT BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories sold *	**87,008**	76,646
Cost of services provided ^	**3,016**	3,915
	90,024	80,561
Amortisation of prepaid land lease payments	**3**	3
Depreciation of property, plant and equipment	**2,666**	2,718
Exchange losses, net	**14**	100
Minimum lease payments under operating leases:		
Plant and machinery	**–**	29
Land and buildings	**619**	581
Auditors' remuneration	**346**	322
Write off of items of property, plant and equipment	**10**	1
Impairment of trade and bills receivables	**400**	–
Staff costs (including directors' and supervisors' remuneration *(note 7)*):		
Wages and salaries	**14,248**	15,303
Pension scheme contributions	**2,580**	2,536
	16,828	17,839
Gain on disposal of items of property, plant and equipment	**(116)**	(107)
Rental income on investment properties less direct operating expenses of RMB122,000 (2012: RMB110,000)	**(2,320)**	(2,092)
Recovery of bad debts	**–**	(148)
Fair value gains on investment properties	**(1,000)**	(1,220)
Interest income	**(248)**	(64)

* The cost of inventories sold includes depreciation charges and salaries of approximately RMB2,246,000 and RMB8,625,000 (2012: RMB2,297,000 and RMB9,844,000), respectively, which are also included in the respective total amounts disclosed separately above.

^ The cost of services provided includes salaries of approximately RMB655,000 (2012: RMB822,000), which is also included in staff costs disclosed above.

7. 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:

	2013	2012
	RMB'000	*RMB'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**90**	90
	90	90
Other emoluments:		
Salaries, allowances and benefits in kind	**96**	96
Pension scheme contributions	**26**	26
	122	122
	212	212

(a) Independent non-executive directors

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

	2013	2012
	RMB'000	*RMB'000*
Mr. Yang Chun Bao	**30**	30
Mr. Zhang Cheng Ying	**30**	30
Mr. Wang Guo Zhong	**30**	30
	90	90

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

7. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, 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*
Year ended 31 December 2013				
Executive directors				
Zhou Jin Hui	–	–	–	–
Gong Xu Lin	–	–	–	–
Shen Jian Zhong	–	96	26	122
	–	96	26	122
Non-executive directors				
Chai Xiao Fang	–	–	–	–
Wang Xiang	–	–	–	–
	–	–	–	–
Supervisors				
Mao Jiang Wei	–	–	–	–
Zhao Da Rong	–	–	–	–
Wan Xi Zhong	–	–	–	–
	–	–	–	–
Total	–	96	26	122

7. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2012				
Executive directors				
Mr. Zhou Jin Hui	–	–	–	–
Mr. Gong Xu Lin	–	–	–	–
Mr. Shen Jian Zhong	–	96	26	122
	–	96	26	122
Non-executive directors				
Ms. Chai Xiao Fang	–	–	–	–
Ms. Wang Xiang	–	–	–	–
	–	–	–	–
Supervisors				
Mr. Mao Jiang Wei	–	–	–	–
Mr. Zhao Da Rong	–	–	–	–
Mr. Wan Xi Zhong	–	–	–	–
	–	–	–	–
Total	–	96	26	122

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2012: Nil (restated)) director. Details of the remuneration of the remaining four (2012: five (restated)) non-directors, highest paid employees, are as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Salaries, allowances and benefits in kind	**635**	747
Pension scheme contributions	**108**	145
	743	892

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

	Group Number of employees	
	2013	2012
		(Restated)
Nil to RMB1,000,000	**4**	5

9. INCOME TAX

No provision for Hong Kong profits tax have been made as the Group had no assessable profits arising in Hong Kong during the year (2012: Nil). Under the Corporate Income Tax Law, the corporate income tax ("CIT") rate is calculated at a rate of 25% on the Group's estimated assessable profits for the years ended 31 December 2013 and 2012.

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Group:		
Current – the PRC:		
Charge for the year	**1,380**	470
Underprovision/(overprovision) of CIT in prior years	**88**	(7)
Deferred	**250**	305
Total tax charge for the year	**1,718**	768

9. INCOME TAX (CONTINUED)

The tax effect of temporary differences for deferred tax assets was not recognised in the consolidated financial statements due to the uncertainty of future profits streams against which the assets can be utilised. These tax losses benefit will be expired in the next five years, details refer to note 22(b) to the consolidated financial statements.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Group are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

Group

	2013		2012	
	RMB'000	*%*	*RMB'000* (Restated)	*%*
Profit before tax	**9,807**		7,008	
Tax at statutory tax rate	**2,452**	**25**	1,752	25
Tax effect of non-deductible expenses	**261**	**3**	877	12
Tax effect of non-taxable income	**(1,008)**	**(10)**	(1,291)	(18)
Tax effect on temporary differences not recognised	**148**	**1**	(81)	(1)
Tax effect of tax losses utilised	**(223)**	**(2)**	(482)	(7)
Underprovision/(overprovision) of expenses in the prior years	**88**	**1**	(7)	–
Tax charge at the Group's effective tax rate	**1,718**	**18**	768	11

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a profit of RMB6,968,000 (2012: RMB4,540,000) which has been dealt with in the consolidated financial statements of the Company (note 28(b)).

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 RMB7,839,000 (2012: RMB5,804,000 (as restated)) and on the number of ordinary shares of 187,430,000 (2012: 187,430,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

12. DIVIDEND

The directors do not recommend the payment of any dividends for the year ended 31 December 2013 (2012: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress *RMB'000*	Buildings *RMB'000* *(Note a)*	Machinery *RMB'000*	Furniture, fixtures and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2013						
At 1 January 2013 (restated):						
Cost	–	3,855	44,344	2,277	3,652	54,128
Accumulated depreciation	–	(775)	(32,752)	(1,891)	(2,148)	(37,566)
Net carrying amount	–	3,080	11,592	386	1,504	16,562
Opening net carrying amount						
– As previously reported	–	3,080	5,704	203	560	9,547
– Adjustment for business combination under common control *(note 29)*	–	–	5,888	183	944	7,015
As restated	–	3,080	11,592	386	1,504	16,562
Additions	–	–	421	21	–	442
Write off	–	–	(10)	–	–	(10)
Disposals	–	–	(6)	(34)	(283)	(323)
Depreciation provided during the year	–	(89)	(2,107)	(81)	(389)	(2,666)
At 31 December 2013, net of accumulated depreciation	–	2,991	9,890	292	832	14,005
At 31 December 2013:						
Cost	–	3,855	44,653	2,165	2,456	53,129
Accumulated depreciation	–	(864)	(34,763)	(1,873)	(1,624)	(39,124)
Net carrying amount	–	2,991	9,890	292	832	14,005

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Construction in progress *RMB'000*	Buildings *RMB'000* *(Note a)*	Machinery *RMB'000*	Furniture, fixtures and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2012						
At 1 January 2012 (restated):						
Cost	671	2,952	44,201	2,209	3,301	53,334
Accumulated depreciation	–	(685)	(30,589)	(1,789)	(1,910)	(34,973)
Net carrying amount	671	2,267	13,612	420	1,391	18,361
Opening net carrying amount						
– As previously reported	671	2,267	7,311	175	786	11,210
– Adjustment for business combination under common control *(note 29)*	–	–	6,301	245	605	7,151
As restated	671	2,267	13,612	420	1,391	18,361
Additions	–	232	165	75	453	925
Write off	–	–	(1)	–	–	(1)
Disposals	–	–	–	(1)	(4)	(5)
Transfer to buildings	(671)	671	–	–	–	–
Depreciation provided during the year	–	(90)	(2,184)	(108)	(336)	(2,718)
At 31 December 2012, net of accumulated depreciation (as restated)	–	3,080	11,592	386	1,504	16,562
At 31 December 2012 (as restated):						
Cost	–	3,855	44,344	2,277	3,652	54,128
Accumulated depreciation	–	(775)	(32,752)	(1,891)	(2,148)	(37,566)
Net carrying amount	–	3,080	11,592	386	1,504	16,562

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Construction in progress *RMB'000*	Buildings *RMB'000*	Machinery *RMB'000*	Furniture, fixtures and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2013						
At 1 January 2013:						
Cost	–	3,855	19,363	1,228	468	24,914
Accumulated depreciation	–	(775)	(13,740)	(1,091)	(415)	(16,021)
Net carrying amount	–	3,080	5,623	137	53	8,893
At 1 January 2013, net of accumulated depreciation	–	3,080	5,623	137	53	8,893
Additions	–	–	207	2	–	209
Write off	–	–	(9)	–	–	(9)
Disposals	–	–	–	–	(12)	(12)
Depreciation provided during the year	–	(89)	(1,561)	(23)	(22)	(1,695)
At 31 December 2013, net of accumulated depreciation	–	2,991	4,260	116	19	7,386
At 31 December 2013:						
Cost	–	3,855	19,495	1,230	169	24,749
Accumulated depreciation	–	(864)	(15,235)	(1,114)	(150)	(17,363)
Net carrying amount	–	2,991	4,260	116	19	7,386

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Construction in progress *RMB'000*	Buildings *RMB'000*	Machinery *RMB'000*	Furniture, fixtures and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2012						
At 1 January 2012:						
Cost	671	2,952	19,371	1,173	570	24,737
Accumulated depreciation	–	(685)	(12,137)	(1,067)	(454)	(14,343)
Net carrying amount	671	2,267	7,234	106	116	10,394
At 1 January 2012, net of accumulated depreciation	671	2,267	7,234	106	116	10,394
Additions	–	232	14	55	–	301
Write off	–	–	(1)	–	–	(1)
Disposals	–	–	–	–	(4)	(4)
Transfer to buildings	(671)	671	–	–	–	–
Depreciation provided during the year	–	(90)	(1,624)	(24)	(59)	(1,797)
At 31 December 2012, net of accumulated depreciation	–	3,080	5,623	137	53	8,893
At 31 December 2012:						
Cost	–	3,855	19,363	1,228	468	24,914
Accumulated depreciation	–	(775)	(13,740)	(1,091)	(415)	(16,021)
Net carrying amount	–	3,080	5,623	137	53	8,893

The buildings together with the leasehold land (note 15) are situated in the PRC under medium term leases.

Note a: As detailed in note 16 to the consolidated financial statements, the legal title of the Relevant Property (as defined in note 16) has not yet been transferred to Special Cylinder as at the end of the reporting period and date of the consolidated financial statements, but the Relevant Property has been used by Special Cylinder. As Guangyang is still the legal owner of the Relevant Property, the prepaid land lease payments and buildings have not been recognised but included in non-controlling interests in the consolidated statement of financial position as at 31 December 2012 and 2013. Accordingly, the amortisation/depreciation of the Relevant Property of approximately RMB296,000 and RMB296,000, respectively, for the year ended 31 December 2012 and 2013 was not provided for in the consolidated financial statements.

14. INVESTMENT PROPERTIES

	Group and Company	
	2013	2012
	RMB'000	*RMB'000*
Carrying amount at 1 January	**23,370**	22,150
Gain from a fair value adjustment	**1,000**	1,220
Carrying amount at 31 December	**24,370**	23,370

The investment properties are situated in the PRC under medium term leases.

	Commercial property	Industrial property
	RMB'000	*RMB'000*
Carrying amount at 1 January 2013	**5,570**	17,800
Gain from fair value adjustments	**200**	800
Carrying amount at 31 December 2013	**5,770**	18,600

The Group's and the Company's investment properties consist of commercial and industrial properties in the PRC. The investment properties were revalued on 31 December 2013 by Ascent Partner Transaction Service Limited, independent professionally qualified valuers, at RMB24,370,000. A gain on fair value adjustment of RMB1,000,000 is recognised in the line item "other income and gain" in the statement of profit and loss. The Group's finance department, including the finance manager, reviewed the valuation performed by the independent valuer for financial reporting purpose.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

14. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group and the Company's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	**Significant observable input (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial property located in the PRC	–	–	5,770	5,770
Industrial property located in the PRC	–	–	18,600	18,600
	–	–	24,370	24,370

During the year, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3.

The fair value was determined based on the income approach, which used unobservable inputs and taking into account the adjustment on term yield to account for the risk upon reversionary after expiry of the current leases.

Information about the Level 3 fair value measurements is as follows:

Description	**Fair value at 31 December 2013**	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Commercial property	5,770,000	Income approach (term and reversionary method)	Rental value	RMB86.76 per month per square meter	The higher the rental value, the higher the fair value
			Adjustment on term yield	5.5%	The higher the reversionary yield, the lower the fair value
Industrial property	18,600,000	Income approach (term and reversionary method)	Rental value	RMB14-RMB47 per month per square meter	The higher the rental value, the higher the fair value
			Adjustment on term yield	9%	The higher the reversionary yield, the lower the fair value

14. INVESTMENT PROPERTIES (CONTINUED)

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 30(a) to the consolidated financial statements.

Particulars of investment properties as at 31 December 2013:

Location	**Use**	**Tenure**	**Attributable interest of the Group**
Unit 1202, No.4 of 4621 Nong Jiaotong Road, Taopu Town, Putuo District, Shanghai, PRC	Commercial	Medium term lease	100%
青浦區重固鎮大街740號及777號; 青浦區重固鎮鎮南街88丘	Industrial	Medium term lease	100%

15. PREPAID LAND LEASE PAYMENTS

	Group and Company	
	2013	2012
	RMB'000	*RMB'000*
Carrying amount at 1 January	**128**	131
Amortisation during the year	**(3)**	(3)
Carrying amount at 31 December	**125**	128
Current portion included in prepayments, deposits and other receivables	**(3)**	(3)
Non-current portion	**122**	125

The leasehold land together with the buildings (note 13) are situated in the PRC under medium term leases.

16. INVESTMENT IN SUBSIDIARIES

	Company 2013 RMB'000	Company 2012 RMB'000
Unlisted shares, at cost	**7,200**	1,800
Due from subsidiaries	**3,342**	1,071

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries of the Company were as follows:

Name	Place of establishment and business	Registered capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
上海黎明消防檢測有限公司* (Shanghai Liming Fire Testing Co., Limited) ("Liming")	The People's Republic of China (The "PRC")	RMB2,000,000	90%	–	Provision of fire technology inspection services
上海鐵錨壓力容器(集團)有限公司* (Shanghai Anchor Pressure Vessel (Group) Limited) ("Anchor")	PRC	RMB70,000,000	90%	9%	Investment holding
上海元奉高壓容器有限公司* (Shanghai Yuanfeng Pressure Vessels Co., Limited)	PRC	RMB5,000,000	–	94.05%	Manufacturing and sales of pressure vessels
上海元蓬國際貿易有限公司* (Shanghai J.S.X. International Trading Corporation)	PRC	RMB5,000,000	–	94.05%	Trading of pressure vessels
上海高壓特種氣瓶有限公司* (Shanghai Pressure Special Gas Cylinder Co., Limited) ("Special Cylinder")	PRC	RMB19,170,000#	–	59.4%	Manufacturing and sales of pressure vessels

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

During the year ended 31 December 2013, the Company and its subsidiary, Liming, collectively completed the acquisition (the "Acquisition") of the entire equity interests in Anchor from Liancheng (the immediate holding company of the Company) and Mr. Wang Sheng (an independent third party) resulting in an effective 99% equity interests in Anchor. In the opinion of the directors, the Acquisition is a business combination under common control since the Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition. The Acquisition under common control is therefore accounted for using merger accounting. Further details of the Acquisition are set out in note 29 to the consolidated financial statements.

* Ascenda Cachet CPA Limited is not the statutory auditor of the subsidiaries.

\# Pursuant to the business licence of Special Cylinder, the total registered/paid up capital of Special Cylinder is RMB19.17 million, of which 40% of the capital should be contributed by 上海洋涇工業公司 (literally translated as Shanghai Yangjing Industrial Co., "Yangjing"), by transferring the legal title of the land use right together with the property and buildings constructed thereon (the "Relevant Property") to Special Cylinder. The legal title of the Relevant Property has not yet been transferred to Special Cylinder as at the end of the reporting period and date of the consolidated financial statements. The legal title of the Relevant Property is held by上海廣洋企業發展總公司 (literally translated as Shanghai Guangyang Enterprise Development Corp., the holding company of Yangjing, "Guangyang") but the Relevant Property has been used by Special Cylinder. As Guangyang is still the legal owner of the Relevant Property, the prepaid land lease payments and buildings have not been recognised but included in non-controlling interests in the consolidated statement of financial position as at 31 December 2012 and 2013. Accordingly, the amortisation/depreciation of the Relevant Property of approximately RMB296,000 and RMB296,000, respectively, for the year ended 31 December 2012 and 2013, was not provided for in the consolidated financial statements.

As advised by the PRC legal advisers to the Group, (i) the entity(ies) recorded in the register of equity interest holders shall be recognised as the legal equity interest holders of the company and such entity(ies) can legally claim and exercise its rights as an equity interest holder of the company; (ii) Yangjing was, and is, recorded in the Company Shareholder (Promoter) Investment Information (公司股東(發起人)出資信息) of Special Cylinder, which is a type of register of equity interest holders, as the holder of 40% equity interest in Special Cylinder, and therefore, Yangjing was, and is, the legal holder of the 40% equity interest in Special Cylinder; and (iii) Yangjing's status as the legal holder of 40% equity interest in Special Cylinder shall not be affected by the failure of Yangjing in completing its capital contribution obligation but pursuant to the PRC Company Law and judicial interpretations thereto, Special Cylinder is entitled to require Yangjing to procure the transfer of the legal title of the Relevant Property to Special Cylinder.

17. INVENTORIES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Raw materials	**6,394**	8,108	**2,696**	2,357
Work in progress	**4,957**	4,769	**2,331**	3,174
Finished goods	**5,947**	8,067	**1,423**	1,228
Low cost consumables	**213**	265	**124**	265
	17,511	21,209	**6,574**	7,024

18. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Trade receivables	**18,888**	21,577	**4,006**	7,502
Less: Impairment	**(909)**	(509)	**–**	–
	17,979	21,068	**4,006**	7,502
Bills receivables	**907**	850	**408**	600
	18,886	21,918	**4,414**	8,102

The Group'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 Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group'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.

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
At 1 January	**509**	509	**–**	–
Impairment losses recognised	**400**	–	**–**	–
At 31 December	**909**	509	**–**	–

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB509,000 and RMB909,000, as at 31 December 2012 and 2013, respectively, with carrying amounts before provision of approximately RMB509,000 and RMB976,000, as at 31 December 2012 and 2013, respectively.

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Within 1 month	**6,139**	8,822	**1,005**	2,908
1 to 2 months	**3,681**	5,024	**860**	815
2 to 3 months	**1,570**	1,652	**159**	925
Over 3 months	**7,496**	6,420	**2,390**	3,454
	18,886	21,918	**4,414**	8,102

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Neither past due nor impaired	**12,283**	10,561	**2,024**	4,648
Less than 1 month past due	**2,141**	4,763	**616**	553
1 to 3 months past due	**1,395**	1,721	**463**	934
More than 3 months past due	**3,000**	4,873	**1,311**	1,967
	18,819	21,918	**4,414**	8,102

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 Group. Based on past experience, the directors of the Group 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.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Prepayments	**1,893**	1,990	**416**	792
Purchases deposits paid	**12,240**	2,463	**9,633**	–
Other receivables	**2,104**	2,675	**727**	576
	16,237	7,128	**10,776**	1,368

None of the above assets is either past due or impaired (2012: Nil). The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. DUE FROM FELLOW SUBSIDIARIES AND NON-CONTROLLING INTERESTS

	Note	**2013** *RMB'000*	2012 *RMB'000* (Restated)
Name			
Group and Company			
Fellow subsidiaries			
上海石化消防工程有限公司 (literally translated as "Shanghai Petro-Chemical Fire-fighting Engineering Company Limited", "SPFE")	(i)	**880**	802
上海聯滬消防器材有限公司 (literally translated as "Shanghai Lianhu Fire-fighting Equipment Company Limited", "SLFE")	(i)	**2,372**	42
		3,252	844
Group			
Non-controlling interests		**–**	250

Note

(i) SPFE and SLFE are controlled by Zhejiang Hengtai, the ultimate holding company of the Group. The amounts due from these fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayments. These balances as at 31 December 2013 and 2012 were trade in nature.

21. LOANS RECEIVABLE FROM FORMER CONTROLLING SHAREHOLDER

	Group and Company	
	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Bank loans	–	4,000
Advanced from the Company	–	1,000
Write-off	–	(5,000)
	–	–
Less: Impairment loss	–	–
	–	–

The loans were unsecured, interest-free and repayable on demand.

As at 31 December 2012, the directors of the Company decided to write off the loans receivable from the former controlling shareholder, 上海華盛企業(集團)有限公司 (literally translated as "Shanghai Huasheng Enterprises (Group) Co., Limited"), of RMB5,000,000 because the loans receivable were long outstanding and settlement is considered as remote.

The movements in provision for impairment of loans receivable from former controlling shareholder are as follows:

	Group and Company	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	–	5,000
Write-off	–	(5,000)
At 31 December	–	–

22. DEFERRED TAX

a) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of approximately RMB163,000 (2012: RMB372,000 (restated)) arising from the operation in the PRC as it is not considered probable that future taxable profits will be available against which the losses could be utilised. During the year, no unused tax loss of the Group has expired (2012: Nil).

At the end of the reporting periods, the movement of unrecognised deferred tax assets in respect of tax losses and other assets of the Group are as follows:

		Group	
	Other assets	**Tax losses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At 1 January 2012			
– As previously reported	221	1,499	1,720
– Adjustment for business combination under common control	–	163	163
– As restated	221	1,662	1,883
Over-estimation in previous year, as restated	–	(808)	(808)
Utilised during the year *(note 9)*, as restated	(81)	(482)	(563)
At 31 December 2012 and 1 January 2013, as restated	**140**	**372**	**512**
Under-estimation in previous year	**–**	**14**	**14**
Utilised during the year *(note 9)*	**148**	**(223)**	**(75)**
At 31 December 2013	**288**	**163**	**451**

22. DEFERRED TAX (CONTINUED)

a) Deferred tax assets not recognised (Continued)

At the end of the reporting period, the Group's tax losses will be expired in the following years:

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
In 2018	**–**	–
In 2017	**–**	–
In 2016	**–**	–
In 2015	**652**	1,488
In 2014	**–**	–
In 2013	**–**	–
	652	1,488

b) Deferred tax liabilities

	Group and Company	
	Fair value changes in the investment properties	**Total**
	RMB'000	*RMB'000*
At 1 January 2012	**3,815**	3,815
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 9)*	**305**	305
At 31 December 2012 and 1 January 2013	**4,120**	4,120
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 9)*	**250**	250
At 31 December 2013	**4,370**	4,370

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Cash at bank	**25,121**	21,566	**14,284**	9,169
Cash on hand	**146**	267	**134**	159
	25,267	21,833	**14,418**	9,328

The cash and bank balances were denominated in Renminbi ("RMB"). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

24. 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:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Within 1 month	**4,886**	2,347	**2,096**	766
1 to 2 months	**1,207**	1,456	**580**	460
2 to 3 months	**1,454**	1,926	**140**	230
Over 3 months	**4,855**	4,947	**2,044**	2,159
	12,402	10,676	**4,860**	3,615

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

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Other payables	**6,164**	6,880	**2,045**	2,482
Accruals	**935**	1,488	**533**	879
Sales deposits received	**6,547**	1,918	**6,155**	368
Value added tax payables	**188**	151	**123**	118
	13,834	10,437	**8,856**	3,847

Other payables and accruals are non-interest bearing and normally settled within one year.

26. DUE TO/LOAN FROM IMMEDIATE HOLDING COMPANY AND DUE TO NON-CONTROLLING INTEREST

Long term loan from immediate holding company

On 3 December 2010, Zhejiang Hengtai (the ultimate controlling shareholder) and Liancheng (the immediate holding company) have undertaken to collectively provide to the Company with an unsecured interest-free shareholders' loan facility in the sum of not exceeding RMB50 million (the "Facility") for a term of five years from 30 May 2010. The Facility could be extended at the discretion of Liancheng for another two years. As at 31 December 2013, the accumulated amount of the loan drawn-down by the Company from Liancheng under the Facility was RMB7,800,000 (2012: RMB1,800,000).

Liancheng has also made advances to certain subsidiaries of the Company. These amounts due to Liancheng are unsecured, interest-free and have no fixed terms of repayments.

The amount due to non-controlling interest is unsecured, interest-free and has no fixed terms of repayments.

27. SHARE CAPITAL

	2013 **RMB'000**	2012 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) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

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

28. RESERVES (CONTINUED)

a) Group (Continued)

(ii) Capital reserve

	Other reserve	Reversal of revaluation surplus of property, plant and equipment	Waiver of amount due to the immediate holding company	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012:				
As previously reported	–	(1,733)	25,812	24,079
Adjustment for business combination under common control *(note 2.1)*	18,521	–	–	18,521
As restated	18,521	(1,733)	25,812	42,600
Waiver of the amount due to the immediate holding company during the year ended 31 December 2012	–	–	1,055	1,055
At 31 December 2012, as restated	18,521	(1,733)	26,867	43,655
At 1 January 2013:				
As previously reported	**–**	**(1,733)**	**26,867**	**25,134**
Adjustment for business combination under common control *(note 2.1)*	**18,521**	**–**	**–**	**18,521**
As restated	**18,521**	**(1,733)**	**26,867**	**43,655**
At 31 December 2013	**18,521**	**(1,733)**	**26,867**	**43,655**

28. RESERVES (CONTINUED)

a) Group (Continued)

(ii) Capital reserve (Continued)

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 131,870,000 Domestic Shares of RMB0.10 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 was 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 Group'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.

Other reserve

As detailed in note 29 to the consolidated financial statements, this reserve arose from the acquisition of the Anchor Group from Liancheng (immediate holding company) and represents the difference between (i) the consideration paid by the Company to Liancheng and (ii) the net assets of the Anchor Group at the date of 11 April 2011 (being the acquisition date of the Anchor Group by Liancheng).

(iii) Statutory reserve fund

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

28. RESERVES (CONTINUED)

a) Group (Continued)

(iii) Statutory reserve fund (Continued)

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 the respective companies' 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.

(iv) Discretionary common reserve fund

Each of the Company and its subsidiaries established in the PRC may, at its discretion and subject to approval of its respective 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.

b) Company

	Share premium account	Capital reserve	Statutory reserve funds	Discretionary common reserve fund	Asset revaluation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	note 28(a(i))	*note 28(a(ii))*	*note 28(a(iii))*	*note 28(a(iv))*			
At 1 January 2012	10,910	24,079	5,036	1,500	11,299	(28,619)	24,205
Total comprehensive income for the year	–	–	–	–	–	4,540	4,540
Waiver of amount due to the immediate holding company	–	1,055	–	–	–	–	1,055
At 31 December 2012	10,910	25,134	5,036	1,500	11,299	(24,079)	29,800
At 1 January 2013	**10,910**	**25,134**	**5,036**	**1,500**	**11,299**	**(24,079)**	**29,800**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**6,968**	**6,968**
At 31 December 2013	**10,910**	**25,134**	**5,036**	**1,500**	**11,299**	**(17,111)**	**36,768**

29. BUSINESS COMBINATION UNDER COMMON CONTROL

On 7 November 2012, the Company and its direct 90%-owned subsidiary, Shanghai Liming Fire Testing Co., Limited ("Liming"), entered into a sale and purchase agreement (the "S&P Agreement") with Liancheng and Mr. Wang Sheng (an independent third party, and together with Liancheng, be collectively referred as the "Vendors"), pursuant to which, the Company and Liming collectively acquired (the "Acquisition") from the Vendors the entire issued capital of Shanghai Anchor Pressure Vessel (Group) Co., Limited ("Anchor", and collectively with its subsidiaries, the "Anchor Group"), resulting in an effective 99% of the equity interests in Anchor. On the same date, an excluded interest agreement (the "Excluded Interest Agreement") was entered into among the Company, Liming, the Vendors, Anchor and Shanghai Pressure Special Gas Cylinder Co., Limited ("Special Cylinder", a subsidiary of Anchor) to exclude from the S&P Agreement the land and building situated at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai, the PRC (the "Excluded Interest"). The aggregate consideration (the "Consideration") for the Acquisition under the S&P Agreement and the Excluded Interest Agreement amounted to RMB6 million has been satisfied by crediting against the current account with Liancheng by utilising the existing RMB50 million loan facility provided by Zhejiang Hengtai and Liancheng.

The Acquisition was approved by the Company's independent shareholders at an extraordinary general meeting on 23 July 2013 and was completed on 29 July 2013, with the Qingpu Group holding an effective 99% equity interests in Anchor.

As mentioned in note 2.1 to the consolidated financial statements, in the opinion of the directors, the Acquisition was a business combination under common control since the Qingpu Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition. Accordingly, the Qingpu Group has applied merger accounting to account for the business combination under common control and combined the consolidated financial statements of the Anchor Group since 11 April 2011 as if the Acquisition would had been taken place at that date. No significant adjustments were considered necessary to be made to the net assets and net profit of the Anchor Group as a result of the common control combination in order to align its accounting policies with the Qingpu Group.

The Anchor Group was principally engaged in the manufacturing and sale of pressure vessels products and the trading of sanitary-ware and other products.

29. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The reconciliation of the effect arising from the common control combination on the consolidated statement of profit or loss for the year ended 31 December 2013 is as follows:

	Qingpu Group* *RMB'000*	Anchor Group *RMB'000*	Adjustments# *RMB'000*	The Group *RMB'000*
Revenue	**49,593**	**63,882**	**(64)**	**113,411**
Cost of sales	**(36,419)**	**(53,669)**	**64**	**(90,024)**
Gross profit	**13,174**	**10,213**	**–**	**23,387**
Other income and gains	**3,781**	**1,225**	**(486)**	**4,520**
Selling and distribution costs	**(903)**	**(2,457)**	**486**	**(2,874)**
Administrative expenses	**(6,532)**	**(8,694)**	**–**	**(15,226)**
Profit before tax	**9,520**	**287**	**–**	**9,807**
Income tax	**(1,308)**	**(410)**	**–**	**(1,718)**
Profit for the year	**8,212**	**(123)**	**–**	**8,089**
Attributable to:				
Owners of the Company	**7,858**	**(19)**	**–**	**7,839**
Non-controlling interests	**354**	**(104)**	**–**	**250**
	8,212	**(123)**	**–**	**8,089**

* The Company and Liming are referred as the "Qingpu Group" for the disclosure purpose in this note.

The adjustments represent the intra-group transactions between the Qingpu Group and the Anchor Group eliminated on consolidation under the merger accounting.

29. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The reconciliation of the effect arising from the common control combination on the consolidated statement of profit or loss for the year ended 31 December 2012 and the consolidated statement of financial position as at 31 December 2012 is as follows:

Consolidated statement of profit or loss
For the year ended 31 December 2012

	Qingpu Group* (as previously reported) RMB'000	Anchor Group RMB'000	Adjustments# RMB'000	The Group (as restated) RMB'000
Revenue	35,735	65,319	(570)	100,484
Cost of sales	(26,708)	(54,423)	570	(80,561)
Gross profit	9,027	10,896	–	19,923
Other income and gains	4,337	772	(347)	4,762
Selling and distribution costs	(842)	(2,324)	347	(2,819)
Administrative expenses	(6,222)	(8,636)	–	(14,858)
Profit before tax	6,300	708	–	7,008
Income tax	(514)	(254)	–	(768)
Profit for the year	5,786	454	–	6,240
Attributable to:				
Owners of the Company	5,502	305	(3)	5,804
Non-controlling interests	284	149	3	436
	5,786	454	–	6,240

* The Company and Liming are referred as the "Qingpu Group" for the purpose of disclosure in this note.

\# The adjustments represent the intra-group transactions between the Qingpu Group and the Anchor Group eliminated on consolidation under the merger accounting.

29. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Consolidated statement of financial position

As at 31 December 2012

	Qingpu Group* (as previously reported) *RMB'000*	Anchor Group *RMB'000*	Adjustments# *RMB'000*	The Group (as restated) *RMB'000*
Assets and liabilities				
Property, plant and equipment	9,547	7,015	–	16,562
Investment properties	23,370	–	–	23,370
Prepaid land lease payments	125	–	–	125
Inventories	7,024	14,185	–	21,209
Trade and bills receivables	8,771	13,147	–	21,918
Prepayments, deposits and other receivables	2,430	4,698	–	7,128
Due from fellow subsidiaries	1,915	–	(1,071)	844
Due from non-controlling interest	–	250	–	250
Cash and cash equivalents	12,726	9,107	–	21,833
Trade payables	(3,615)	(7,061)	–	(10,676)
Other payables and accruals	(4,526)	(5,911)	–	(10,437)
Due to fellow subsidiaries	–	(1,071)	1,071	–
Due to/loan from immediate holding company	(1,800)	(7,456)	(6,000)	(15,256)
Due to non-controlling interest	–	(1,860)	–	(1,860)
Tax payables	(69)	(118)	–	(187)
Deferred tax liabilities	(4,120)	–	–	(4,120)
Net assets	51,778	24,925	(6,000)	70,703
Equity				
Equity attributable to owners of the Company				
Issued capital	18,743	70,000	(70,000)	18,743
Reserves	32,483	(43,930)	63,751	52,304
	51,226	26,070	(6,249)	71,047
Non-controlling interests	552	(1,145)	249	(344)
Total equity	51,778	24,925	(6,000)	70,703

* The Company and Liming are referred as the "Qingpu Group" for the purpose of disclosure in this note.

\# The adjustments represent the intra-group transactions between the Qingpu Group and the Anchor Group eliminated on consolidation under the merger accounting.

29. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The reconciliation of the effect arising from the common control combination on the consolidated statement of financial position as at 1 January 2012 is as follows:

Consolidated statement of financial position
As at 1 January 2012

	Qingpu Group* (as previously reported) RMB'000	Anchor Group RMB'000	Adjustments# RMB'000	The Group (as restated) RMB'000
Assets and liabilities				
Property, plant and equipment	11,210	7,151	–	18,361
Investment properties	22,150	–	–	22,150
Prepaid land lease payments	128	–	–	128
Inventories	6,065	13,630	–	19,695
Trade and bills receivables	8,879	12,053	–	20,932
Prepayments, deposits and other receivables	2,833	2,759	–	5,592
Due from fellow subsidiaries	1,453	–	(1,185)	268
Due from non-controlling interest	–	250	–	250
Cash and cash equivalents	6,756	9,486	–	16,242
Trade payables	(4,517)	(7,900)	–	(12,417)
Other payables and accruals	(4,179)	(7,902)	–	(12,081)
Due to fellow subsidiaries	–	(1,185)	1,185	–
Due to/loan from immediate holding company	(1,800)	(1,480)	(6,000)	(9,280)
Due to non-controlling interest	–	(2,053)	–	(2,053)
Tax payables	(49)	(216)	–	(265)
Deferred tax liabilities	(3,815)	–	–	(3,815)
Net assets	45,114	24,593	(6,000)	63,707
Equity				
Equity attributable to owners of the Company				
Issued capital	18,743	70,000	(70,000)	18,743
Reserves	25,974	(44,226)	63,754	45,502
	44,717	25,774	(6,246)	64,245
Non-controlling interests	397	(1,181)	246	(538)
Total equity	45,114	24,593	(6,000)	63,707

* The Company and Liming are referred as the "Qingpu Group" for the purpose of disclosure in this note.

The adjustments represent the intra-group transactions between the Qingpu Group and the Anchor Group eliminated on consolidation under the merger accounting.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease its investment properties to independent third parties under operating leases arrangements with the leases negotiated for terms ranging from 3 to 5 years. The terms of the leases 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 2013, the Group and Company had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Within one year	**2,509**	1,888	**1,669**	1,814
In the second to fifth years, inclusive	**2,773**	4,504	**2,773**	4,442
	5,282	6,392	**4,442**	6,256

(b) As lessee

The Group and the Company lease certain land and buildings from independent third parties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

At 31 December 2013, the Group and Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Within one year	**767**	605	**352**	375
In the second to fifth years, inclusive	**2,827**	3,142	**1,341**	1,382
After five years	**1,383**	1,686	**400**	705
	4,977	5,433	**2,093**	2,462

31. CAPITAL COMMITMENTS

Except for the operating lease arrangements, the Group and the Company did not have any significant capital and other commitments at the end of the reporting period.

32. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Commission expenses		
JSX Trading*	**298**	347
Sales of goods		
SPFE	**1,145**	816
SLFE	**4,536**	940
	5,681	1,756

* Amount represented commission expenses paid by the Group during the period from 1 January 2013 to 29 July 2013. Shanghai J.S.X. International Trading Corporation has become a subsidiary of the Company since 29 July 2013. These transactions have been fully eliminated for the years ended 31 December 2013 and 2012 under the merger accounting treatment.

In the opinion of the board of directors, the above transactions were carried out in the normal course of business of the Group and at prices and terms comparable with those charged by and contracted with third parties.

(b) During the year ended 31 December 2012, certain legal and professional fee in the amount of approximately RMB1,055,000 were paid on behalf of the Company by the immediate holding company, who has agreed not to demand for repayment from the Company. Accordingly, the amount of approximately RMB1,055,000 (2013: Nil) was accounted for as a waiver of amount payable to the immediate holding company and recognised in the capital reserve during the year ended 31 December 2012 (note 28).

(c) Compensation of key management personnel of the directors and supervisors of the Company. Details of their remuneration are included in note 7 to the consolidated financial statements.

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2012, certain legal and professional fee of approximately RMB1,055,000 paid by the immediate holding company on behalf of the Company was waived by the immediate holding company (note 26).

34. 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:

31 December 2013

Financial assets

	Loans and receivables	
	Group	**Company**
	RMB'000	***RMB'000***
Trade and bills receivables	**18,886**	**4,414**
Financial assets included in prepayments, deposits and other receivables	**2,104**	**727**
Due from subsidiaries	**–**	**3,342**
Due from fellow subsidiaries	**3,252**	**3,252**
Cash and bank balances	**25,267**	**14,418**
	49,509	**26,153**

Financial liabilities

	Financial liabilities at amortised cost	
	Group	**Company**
	RMB'000	***RMB'000***
Trade payables	**12,402**	**4,860**
Other payables and accruals	**13,834**	**8,856**
Due to/loan from immediate holding company	**8,706**	**8,106**
Due to non-controlling interest	**1,496**	**–**
	36,438	**21,822**

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2012

Financial assets

	Loans and receivables	
	Group	Company
	RMB'000	*RMB'000*
	(Restated)	
Trade and bills receivables	21,918	8,102
Financial assets included in prepayments, deposits and other receivables	2,675	576
Due from subsidiaries	–	1,071
Due from fellow subsidiaries	844	844
Due from non-controlling interest	250	–
Cash and bank balances	21,833	9,328
	47,520	19,921

Financial liabilities

	Financial liabilities at amortised cost	
	Group	Company
	RMB'000	*RMB'000*
	(Restated)	
Trade payables	10,676	3,615
Other payables and accruals	10,437	3,847
Due to/loan from immediate holding company	15,256	1,800
Due to non-controlling interest	1,860	–
	38,229	9,262

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2013 and 2012.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and bank balances, trade and bills receivables, and trade payables which arise directly from its operations.

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

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group 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 Group trades only with recognised and creditworthy third parties. It is the Group'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 on-going basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and amounts due from fellow subsidiaries, 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 Group 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 Group.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group 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 Group's objective is to maintain a balance between continuity of funding and flexibility through the use of other borrowings.

On 3 December 2010, the ultimate controlling shareholder, Zhejiang Hengtai, and the immediate holding company, Liancheng, have undertaken to collectively provide to the Company with an unsecured, interest-free shareholders' loan facility in the sum of not exceeding RMB50 million for a term of five years, extendable at the discretion of Liancheng for further two years. As at 31 December 2013, RMB7,800,000 has been drawn down by the Company.

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

31 December 2013		**Group**	
	On demand or no fixed repayment terms	**1 to 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Trade payables	**12,402**	**–**	**12,402**
Other payables and accruals	**13,834**	**–**	**13,834**
Due to/loan from immediate holding company	**906**	**7,800**	**8,706**
Due to non-controlling interest	**1,496**	**–**	**1,496**
	28,638	**7,800**	**36,438**

31 December 2012			
	On demand or no fixed repayment terms	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)
Trade payables	10,676	–	10,676
Other payables and accruals	10,437	–	10,437
Due to/loan from immediate holding company	13,456	1,800	15,256
Due to non-controlling interest	1,860	–	1,860
	36,429	1,800	38,229

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2013	**Company**		
	On demand or no fixed repayment terms	**1 to 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Trade payables	**4,860**	**–**	**4,860**
Other payables and accruals	**8,856**	**–**	**8,856**
Due to/loan from immediate holding company	**306**	**7,800**	**8,106**
	14,022	**7,800**	**21,822**

31 December 2012			
	On demand or no fixed repayment terms	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	3,615	–	3,615
Other payables and accruals	3,847	–	3,847
Loan from immediate holding company	–	1,800	1,800
	7,462	1,800	9,262

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group 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/loan from immediate holding company and the amount due to non-controlling interest, less cash and cash equivalents. Capital includes equity attributable to owners of the Group. The gearing ratios as at the end of reporting periods were as follows:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**12,402**	10,676
Other payables and accruals	**13,834**	10,437
Due to/loan from immediate holding company	**8,706**	15,256
Due to non-controlling interest	**1,496**	1,860
Less: Cash and cash equivalents	**(25,267)**	(21,833)
Net debt	**11,171**	16,396
Equity attributable to owners of the Company	**78,851**	71,047
Capital and net debt	**90,022**	87,443
Gearing ratio	**12%**	19%

37. COMPARATIVE AMOUNTS

As further explained in note 2.1 to the consolidated financial statements, due to the application of merger accounting for business combination under common control, which involves incorporating the consolidated financial statement items of the Anchor Group in which the common control consolidation occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. Accordingly, the comparative consolidated financial statements have been restated.

In addition, certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2014.

FIVE YEAR FINANCIAL SUMMARY

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

	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)*	(Restated)*		
RESULTS					
REVENUE	**113,411**	100,484	98,202	21,362	20,365
Cost of sales	**(90,024)**	(80,561)	(77,883)	(19,992)	(19,323)
Gross profit	**23,387**	19,923	20,319	1,370	1,042
Other income and gains	**4,520**	4,762	2,291	5,464	12,519
Selling and distribution expenses	**(2,874)**	(2,819)	(2,687)	(357)	(212)
Administrative expenses	**(15,226)**	(14,858)	(14,783)	(7,141)	(5,872)
Finance costs	**–**	–	–	(803)	(509)
Write-off of trade receivables	**–**	–	–	–	(103)
Reversal of impairment losses of loans receivable from former controlling shareholder	**–**	–	11,065	–	–
Gain on bargain purchase recognised in other income and gains in the consolidated statement of comprehensive income	**–**	–	861	–	–
Provisions for loss on financial guarantees	**–**	–	–	(190)	(670)
Reimbursement receivable for loss on financial guarantees	**–**	–	–	190	670
Reversal/(Provision) of impairment loss on reimbursement receivables for loss on financial guarantees	**–**	–	–	23,940	(670)
PROFIT BEFORE TAX	**9,807**	7,008	17,066	22,473	6,195
Tax	**(1,718)**	(768)	(814)	–	–
PROFIT FOR THE YEAR	**8,089**	6,240	16,252	22,473	6,195
Attributable to:					
Equity holders of the Company	**7,839**	5,804	15,852	22,473	6,195
ASSETS AND LIABILITIES					
TOTAL ASSETS	**119,650**	113,239	103,618	36,500	39,910
TOTAL LIABILITIES	**(41,132)**	(42,536)	(39,911)	(19,161)	(69,576)
	78,518	70,703	63,707	17,339	(29,666)

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

* Due to the application of merger accounting for business combination under common control, which involves incorporating the financial statement items of the Anchor Group in which the common control consolidation occurs as if they had been consolidated since 11 April 2011, the date when the combining entities or businesses first came under the control of the controlling party. Accordingly, the comparative consolidated financial statements for the years ended 31 December 2011 and 2012 have been restated.