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 2011

* 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.

This report, for which the directors of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Jin Hui
Mr. 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 2011, the Group recorded total revenue of RMB38,506,000 and profit attributable to the shareholders of RMB14,949,000. The Group's revenue was derived principally from its sale of fire extinguishers, and fire extinguisher cylinders in the PRC (excluding Hong Kong) and pressure cylinders to overseas.

In May 2011, the Company acquired from two independent third parties 90% equity interest in Shanghai Liming Fire Testing Co., Ltd. (上海黎明消防檢測有限公司) ("Liming") at a consideration of RMB1.8 million. The principal activity of Liming is the provision of fire-safety testing services, and as shown in the website of www.fire.sh.cn (上海消防網), there are 23 companies in Shanghai licensed to provide fire technology consulting and testing services and Liming is one of the licensed providers on the list. In addition, according to the Shanghai Fire Protection Association Document (Hu Xiao Xie (Mi) [2011] No.7) (上海市消防協會文件（滬消協(秘)[2011]7號)), there are 24 fire technology service companies passing the 2010 annual inspection and Liming passed the Grade 2 Qualification for Fire Equipment Technology Testing (消防設施技術檢測單項資質二級).

SALES

The Group's revenue increased by RMB17,144,000 from RMB21,362,000 in 2010 to RMB38,506,000 in 2011.

OUTLOOK

According to the statistics from the National Bureau of Statistics of China, commodity housing sold nationwide in 2011 reached 1,099 million square metres, representing an increase of 4.9% over the previous year, but the growth rate was down by 5.7 percentage points year-on-year. Of the total, the floor area of residential property, office buildings and commercial property sold increased by 3.9%, 6.2% and 12.6% respectively. Sales of commodity housing reached RMB5,911.9 billion, representing an increase of 12.1%, but the growth rate was down by 6.8 percentage points over the previous year. Of the total, sales of residential property, office buildings and commercial property increased by 10.2%, 16.1% and 23.7% respectively. The per capita net income of rural residents in the PRC was RMB6,977 in 2011, representing an increase of RMB1,058 or 17.9% over the previous year. After netting out the effect of price factors, real growth was 11.4%. The per capita total income of urban residents was RMB23,979 in 2011, of which the per capita disposable income was RMB21,810, representing an increase of RMB2,701 or 14.1% over the previous year. After netting out the effect of price factors, the per capita disposable income of urban residents grew by 8.4% in real terms. With the stable development of the PRC's real estate industry and the increasing income of residents, public awareness towards fire prevention has been heightened, especially when people have seen or experienced all sorts of fire accidents. The enforcement of State policies and strict fire regulations have also lifted the demand for fire prevention products and fire fighting systems continuously, indicating a prosperous prospect for the industry. Hence, the Company endeavours to develop products of different models and expand customer resources, as well as proactively seek opportunities for its fire-sately testing business in order to increase the market share of fire safety and fire fighting systems.

CHAIRMAN'S STATEMENT

FUTURE PLAN

The Company plans to recruit industry and management professional talents to cement internal management, integrate production lines, strengthen operating efficiency and lower production costs. The Company will develop various business channels to improve the Company's performance, focusing on the development of domestic operating networks and export agents. The Company will also expand customer resources and step up the research and development of new products to expand production, thereby sharpening its competitive edge and utilization of facilities. When suitable opportunities and favourable conditions are available, the Company will consider expanding its product mix and production capacity by means of mergers and acquisitions so as to enhance the Company's profitability.

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. Based on the development of fire extinguishers with FireIce as the extinguishing agent and the acquisition of Liming in 2011, if suitable opportunities arise, the Company will continue to develop new market 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.

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 endeavour to work professionally and painstakingly for achieving prosperous performance of the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Total revenue of the Group increased from RMB21,362,000 in the year 2010 to RMB38,506,000 in the year 2011, representing an increase of 80%. The increase was mainly attributable to the effective strategy adopted by the management to cope with changes in the market.

COST OF SALES

For the year ended 31 December 2011, the cost of sales of the Group amounted to approximately RMB28,728,000 (2010: RMB19,992,000), representing a year-on-year increase of 43%. The main components of cost of sales for the Group include raw materials, especially steel and aluminium, and labour cost.

GROSS PROFIT

For the year ended 31 December 2011, the gross profit of the Group amounted to approximately RMB9,778,000. Marginal profit for the year ended 31 December 2011 increased to approximately 25% when compared with approximately 6.4% for the year ended 31 December 2010. The increase is mainly attributable to the management's cost control of cost of sales.

OTHER INCOME

For the year ended 31 December 2011, the other income of the Company decreased to approximately RMB1,974,000 when compared with approximately RMB5,464,000 for the year ended 31 December 2010. The decrease in other income is mainly attributable to a decrease in non-recurring reversal of payables from RMB10,000 for the year 2010 to RMB Nil for the year 2011, and a decrease in non-recurring reversals of amounts payable to former controlling shareholders from RMB4,722,000 for the year 2010 to RMB Nil for the year 2011.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2011, administrative expenses for the Group amounted to approximately RMB7,753,000, representing a year-on-year increase of approximately 8%. The Directors believe the increase was mainly attributable to the increase in social security costs and relevant document renewal fees.

FINANCE COSTS

For the year ended 31 December 2011, finance costs amounted to approximately RMB Nil (2010: RMB803,000).

PROFIT FOR THE YEAR

For the year ended 31 December 2011, the profit for the year of the Group amounted to approximately RMB14,949,000 (2010: RMB22,473,000), representing a year-on-year decrease of 33%. The decrease in profit was mainly attributable to the decrease in the reversal in the impairment loss.

MANAGEMENT DISCUSSION AND ANALYSIS

TAXATION

Pursuant to the Income Tax Law of the PRC, The Company is liable to the enterprise income tax at a rate of 25% on its assessable profits.

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

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

THE MARKET OF HIGH PRESSURE CYLINDERS

The gas cylinder manufacturing industry in the PRC emerged alongside the rise of the petroleum industry in the 60s and developed gradually in four stages: the stage of exploration in the 60s, the stage of development in the 70s, the stage of advancement from 1980 to 1985, and the stage of relative stability after 1986. Demand from the society grew as public awareness of the product raised, boosting the development of gas cylinder manufacturing industry in the 70s when the number of manufacturers rapidly rose to over a hundred. In the 1980s, the relatively high accident rate spawned from the crude production processes led to the introduction of the CJ 3-1-80 standard LPG cylinders by the State City Construction General Bureau (國家城市建設總局), regulating the design, specifications, types and requirements for major materials of LPG cylinders. In 1986, the GB 5842-86 standard LPG cylinder was introduced by the China State Bureau of Standards (國家標準局), which was designed with reference to the standards of ISO 4706 welded steel cylinders and the standards for cylinders manufacturing in certain advanced industrial countries. The introduction of this new standard promoted professionalized and standardized production among the manufacturers, thereby improving the production technology and achieving effective quality control of products. The sales volume of high pressure seamless cylinders in the PRC surged to 1.9 million in the year 2010. The ownership of seamless cylinders in the world has reached approximately 200 million at present. Given the relatively low price of seamless cylinders in the PRC, the demand of the PRC's seamless cylinders from the international market is expected to increase despite the recent volatility in the international financial market, with the volume escalating at a rate of 50,000 to 100,000 cylinders per year.

THE DOMESTIC FIRE EXTINGUISHER MARKET

The output of fire extinguishers in the PRC from January to November 2010 reached 60.29 million sets, representing a year-on-year growth of 18.9%; whereas the total output in 2009 was 55.24 million sets, up 13.2% as compared with the previous year. As the PRC is still a developing country characterized by relatively abundant labor force, low production cost and plentiful resources, giant groups from around the world have been establishing their production bases in China to manufacture products of fine quality at affordable cost by utilizing local raw materials. Benefiting from the inflow of overseas information on system design and software R&D after the opening up of China, we managed to take a leap forward within a short period of time by drawing on the experience of others in the past few decades. Besides, with the increasing attention attached from the PRC government on the fire-fighting industry, the fire extinguisher industry will experience new opportunities and considerable development prospects.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

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

FUTURE PLAN

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

LIQUIDITY AND FINANCE

The cash and cash equivalents of the Group decreased from approximately RMB11,770,000 for the year 2010 to RMB6,756,000 for the year 2011. The decrease was mainly attributable to the full repayment of bank borrowings by the Company during the year.

Borrowings and banking facilities

As at 31 December 2010, the Group had short-term borrowings of approximately RMB Nil. The Group has settled all the bank borrowings and facilities for the year.

Gearing ratio

The Group's gearing ratio, which was expressed as a percentage of net liabilities over the sum of net liabilities and shareholders' equity, was 7% (2010: 30%) as at 31 December 2011.

Capital structure and financial resources

As at 31 December 2011, the Group had net asset value of approximately RMB48,929,000 (2010: net assets of RMB17,339,000). The Group's operations and investments are financed principally by internal resources and shareholders' equity.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT HELD

In 2011, the Company acquired 90% equity interest in Shanghai Liming Fire Testing Co., Limited ("Liming") and its office in Shanghai at a cash consideration of RMB1,800,000 and RMB5,000,000 respectively (2010: Nil).

EMPLOYEES

As at 31 December 2011, the Group had 164 employees (2010: 139 employees). Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme.

Under relevant local government regulations, the 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, aged 42, is the director of Liancheng Fire Protection Group (Hong Kong) Company Limited ("Liancheng HK"), Liancheng Fire-Fighting Group Company Limited (聯城消防集團股份有限公司) ("Liancheng"), Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. (浙江恒泰房地產股份有限公司) ("Hengtai Real Estate") and Jiangshan Construction Decoration Engineering Ltd. (江山市建築裝飾配套工程有限公司) ("Jiangshan Construction"). Liangcheng is the beneficial owner of 131,870,000 domestic shares and Liancheng HK is the beneficial owner of 1,300,000 H shares of the Company. Liancheng HK is wholly owned by Liancheng, which is then owned by Hengtai Real Estate and Jiangshan State-owned Assets Management Limited (江山市國有資產管理有限公司) as to 70% and 20% respectively. Hengtai Real Estate is owned by Mr. Zhou as to 58%. By virtue of Mr. Zhou's indirect interest in the Company, Mr. Zhou is deemed to be interested in the same 131,870,000 domestic shares held by Liancheng and 1,300,000 H shares held by Liancheng HK under Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong). Mr. Zhou established Jiangshan Hengtai Real Estate Co., Ltd. (江山市恒泰房地產有限公司) in 1998 which was renamed as Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. in 2003. Prior to this, he established Jiangshan Construction Decoration Engineering Ltd. (江山市建築裝飾配套工程有限公司) in 1996. Mr. Zhou completed the Business Administration Programme in the International Business University of Beijing (北京國際商務學院) and the training program for senior management in Tsinghua University. In addition, he holds the degree of Master of Business Administration from the University of Management and Technology, Commonwealth of Virgina, the United States of America. Mr. Zhou joined the Company on 30 July 2009.

Mr. Shen Jian Zhong, aged 47, holds the position of general manager in the Company concurrently. Mr. Shen held the positions of general manager and deputy general manager in Shanghai Sanhe Water & Electric Equipment Factory and Shanghai Qingjiang Specialty Gases Co., Ltd. (上海青江特種氣體有限公司) before joining the Company in April 2011. Mr. Shen graduated from Shanghai School of Machinery Manufacturing.

Mr. Gong Xu Lin, aged 38, is the manager of Liancheng Fire-Fighting Group Company Limited (聯城消防集團股份有限公司) ("Liancheng"). Prior to working with Liancheng, he has been an executive of the Bureau of Justice in Jiangshan City (江山市司法局). Mr. Gong graduated from Zhejiang Law School (浙江法律學校) and completed the law programme jointly organized by China Central Radio & TV University (中央廣播電視大學) and China University of Political Science and Law (中國政法大學). Mr. Gong joined the Company on 7 August 2009.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Ms. Chai Xiao Fang, aged 49, is the financial controller and deputy general manager of Hengtai Real Estate. Ms. Chai completed the training programs for senior management and financial controller in Tsinghua University in 2006. In addition, she completed the accountancy program in Zhejiang Province Zhonghua Accountancy College (浙江省中華會計函授學院), the economic and management program in Hangzhou University (杭州大學), and the law program in China University of Geosciences (中國地質大學). Ms. Chai joined the Company on 30 July 2009.

Ms. Wang Xiang, aged 51, is the chief financial controller and deputy general manager of Shanghai Huasheng. Prior to working in Shanghai Huasheng, Ms. Wang was the chief accountant and assistant to the general manager of Shanghai Moshida Enterprise Development Company Limited (上海魔士達企業發展有限公司). Ms. Wang completed the Economic Management Programme (經濟管理) in Nanjing Institute of Political Studies of the People's Liberation Army of China (中國人民解放軍南京政治學院), holds the degree of Master of Business Administration from InterAmerican University and the postgraduate degree of Management Science and Engineering (管理科學與工程) from Shanghai University (上海大學). She is a certified internal auditor under China Institute of Internal Audit (中國內部審計協會) and a qualified accountant of intermediate level under Shanghai Light Industry Bureau Accounting Sector (上海市輕工業局會計系列). She is also a certified senior business operator recognized by the Occupational Skill Testing and Instruction Centre of China (中國商業職業技能鑒定指導中心) and the State Senior Business Operator Assessment Committee (全國高級經營師評審委員會). She is a qualified Chinese Certified Public Accountant as recognized by the Ministry of Finance Chartered Public Accountant Examination Committee (財政部註冊會計師考試委員會). She joined the Company in January 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Cheng Ying, aged 66, was Secretary for the Zhejiang Provincial State-owned Assets Supervision and Administration Commission (浙江省國有資產管理局), and the commissioner and deputy commissioner of the Ministry of Finance (財政部), and has various working experience in the government departments of the People's Republic of China (including Province Civil Air Defence Office (省人民防空辦公室) and Finance Department of Zhejiang Province Finance Supervisory Commissioner Office (財政部駐浙江省財政監察專員辦事處)) during the years from 1971 to 2005. Mr. Zhang is also the independent director of two other companies listed on the Shenzhen Stock Exchange, namely China Garments Company Limited (中國服裝股份有限公司) and SOYEA Technology Co., Ltd (數源科技股份有限公司). Mr. Zhang completed the Industrial and Electrical Automation Programme (工業電氣自動化) in Zhejiang University (浙江大學). Mr. Zhang joined the Company on 7 August 2009.

Mr. Yang Chun Bao, aged 55, graduated from Mcdonna University in Livonia Michigan in the U.S. with a master degree in business administration in July 1999. Mr. Yang is a qualified accountant and is the deputy supervisor with Shanghai Huashen Certified Public Accountants (上海華申會計師事務所副主任). Mr. Yang was appointed as an independent non-executive Director in October 2000.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Guo Zhong, aged 53, graduated from Shanghai Fudan University with a bachelor degree in law in April 1983. Mr. Wang is currently an officer of Shanghai Keenmore Law Office (上海市金馬律師事務所). Mr. Wang was appointed as an independent non-executive Director in October 2000.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Wong Kwan Pui, aged 52, 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

As at 31 December 2011, the Company's former compliance officer Mr. Rao Jun Xi has resigned from his position on 11 April 2011. Mr. Gong Xu Lin was appointed as his successor.

SENIOR MANAGEMENT

Mr. Mao Qian Meng, aged 57, is the Company's deputy general manager. He was the general manager of Xinjiang Yinjian Fire-fighting Equipment Factory (新疆銀劍消防器材廠) and Zhejiang Jiangshan Fire-fighting Equipment Factory (浙江江山市消防器材廠). He joined the Company as deputy general manager in May 2009.

CORPORATE GOVERNANCE REPORT

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

(1) CORPORATE GOVERNANCE PRACTICES

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

(2) DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board comprises of 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.

CORPORATE GOVERNANCE REPORT

The Board conducted five meetings in 2011 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 2011 in details:

Directors		**Number of Meetings/Attendance**
Executive Directors	Zhou Jin Hui	5/5
	Gong Xu Lin	5/5
	Shen Jian Zhong	5/4
Non-executive Directors	Chai Xiao Fang	5/5
	Wang Xiang	5/5
Independent non-executive Directors	Wang Guo Zhong	5/5
	Yang Chun Bao	5/5
	Zhang Cheng Ying	5/5

CHAIRMAN AND GENERAL MANAGER

During the year 2011, 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 2011, none of Directors (other than executive director Shen Jian Zhong and independent non-executive director Wang Guo Zhong and Yang Chun Bao) of the Company received emoluments for the year ended 31 December 2011. Details of emoluments of Directors are set out in Note 8 of the Financial Statements.

APPOINTMENT OF DIRECTORS

Directors of the Company are elected at general meetings with a term of three years for each session. Directors can be re-elected upon expiration of the term. 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Institute of Certified Public Accountants. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee have been properly written out. The primary duties of the audit committee are to review and monitor the Company's financial reporting process and internal control system. The audit committee for the year 2011 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.

Two meetings have been conducted by the audit committee in 2011 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 2010 and for the six months ended 30 June 2011, and taking advice of auditors on the Company.

The following table sets out the attendance of the committee's meeting in 2011:

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

REMUNERATION COMMITTEE

The Remuneration Committee of the Company for the year 2011 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 2011, the Nomination Committee comprises of one executive Director, Zhou Jin Hui and two independent non-executive Directors, Yang Chun Bao and Zhang Cheng Ying, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the nomination committee.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company by the auditors of the Company, Ascenda Cachet CPA Limited amounted to HK$600,000 and HK$600,000, respectively. The non-audit services mainly related to the professional services rendered in connection with the resumption of trading of H Shares of the Company.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiary are the manufacture and sale of fire fighting equipment products and seamless high pressure cylinders, and safety inspection for fire control.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company at the date are set out in the financial statements on pages 24 to 85.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 86. This summary does not form part of the audited financial statements.

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant, equipment and investment property of the Group during the year are set out in notes 14 and 15 to the financial statements.

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

RESERVES

Details of movements in the reserves of the Group during the year is set out in note 29 to the financial statements.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2011, calculated under the Company Law of the People's Republic of China (the "PRC", being the jurisdiction in which the Company were established) amounted to RMB Nil.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 40% of the total sales for the year and sales to the largest customer included therein amounted to 12%. Purchases from the Group's five largest suppliers accounted for less than 28% of the total purchases for the year.

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

DIRECTORS

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

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

Non-executive Directors:
Chai Xiao Fang
Wang Xiang

Independent non-executive directors:
Yang Chun Bao
Wang Guo Zhong
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 12 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 Companys, any of its subsidiaries and 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.

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

As at 31 December 2011, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long positions in shares of the Company

Name	Capacity	Number of shares	Approximate percentage of Share Capital total issued
Mr. Zhou Jin Hui *(Note 1)*	Held by controlled corporation	133,170,000	71.05%

Note:

1. Liancheng Fire-Fighting Group Company Limited holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. owns 70% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Save as disclosed above, as at 31 December 2011, 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 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified to the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Capacity	Number of shares	Approximate percentage of Share capital total registered
Liancheng Fire-Fighting Group Company Limited	Beneficial owner	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Mr. Zhou Jin Hui	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Victory Investment China Group Ltd.	Beneficial owner	16,628,000	8,87%
Chu 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 hold 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. owns 70% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

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. Chu 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 2011.

CONNECTED TRANSACTION

The connected transactions undertaken by the Company are set out in note 32 to the financial statements. The Company has sold fire extinguisher steel cylinders and aluminum cylinders to Zhenjiang Hengtai Real Estate Joint Stock Co., Ltd. and its subsidiaries. The independent non-executive Directors have examined and confirmed that:

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

AUDITORS

Ascenda Cachet CPA Limited ("Cachet") was engaged as the auditor of the Company for the years ended 31 December 2010 and 2011. A resolution for the reappointment of Cachet as auditors of the Company will be proposed at the forthcoming annual general meeting.

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") together with its subsidiary (the "Group") set out on pages 25 to 85, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated income statement, 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 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 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 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 2011, and of 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 Yuk Tong
Practising Certificate Number P03723
Hong Kong
31 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	5	**38,506**	21,362
Cost of sales		**(28,728)**	(19,992)
Gross profit		**9,778**	1,370
Other income and gains	5	**1,974**	5,464
Provisions for loss on financial guarantees		**–**	(190)
Reimbursement receivable for loss on financial guarantees		**–**	190
Reversal of impairment loss on reimbursement receivables for loss on financial guarantees		**–**	23,940
Reversal of impairment loss on loan receivable from former controlling shareholder	22	**11,065**	–
Gain on bargain purchase	30	**861**	–
Distribution costs		**(843)**	(357)
Administrative expenses		**(7,753)**	(7,141)
Finance costs	7	**–**	(803)
Profit before tax	6	**15,082**	22,473
Income tax expense	10	**(133)**	–
Profit for the year		**14,949**	22,473
Attributable to:			
Owners of the Company		**14,848**	22,473
Non-controlling interests		**101**	–
		14,949	22,473
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic (RMB cents)		**8**	12
Diluted (RMB cents)		**8**	12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**14,949**	22,473
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Gain on property revaluation	**15,065**	–
TOTAL COMPREHENSIVE INCOME	**30,014**	22,473
Attributable to:		
Owners of the Company	**29,913**	22,473
Non-controlling interests	**101**	–
	30,014	22,473

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON–CURRENT ASSETS			
Property, plant and equipment	*14*	**11,210**	12,371
Investment properties	*15*	**22,150**	–
Prepaid land lease payments	*16*	**128**	710
Total non-current assets		**33,488**	13,081
CURRENT ASSETS			
Inventories	*18*	**6,065**	6,598
Trade receivables	*19*	**8,879**	3,069
Prepayments, deposits and other receivables	*20*	**2,833**	1,817
Due from fellow subsidiaries	*21*	**1,453**	165
Loans receivable from former controlling shareholder	*22*	**–**	–
Cash and cash equivalents	*24*	**6,756**	11,770
Total current assets		**25,986**	23,419
CURRENT LIABILITIES			
Trade payables	*25*	**4,517**	3,777
Other payables and accruals	*26*	**4,179**	9,384
Tax payables		**49**	–
Total current liabilities		**8,745**	13,161
NET CURRENT ASSETS		**17,241**	10,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,729**	23,339
NON-CURRENT LIABILITY			
Due to the immediate holding company	*27*	**(1,800)**	(6,000)
Net assets		**48,929**	17,339
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*28*	**18,743**	18,743
Reserves	*29*	**29,789**	(1,404)
		48,532	17,339
Non-controlling interests		**397**	–
Total equity		**48,929**	17,339

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	(note 29)	(note 29)	(note 29)	(note 29)					
At 1 January 2010	18,743	10,910	(1,733)	3,734	1,500	–	(62,820)	(29,666)	–	(29,666)
Total comprehensive income for the year	–	–	–	–	–	–	22,473	22,473	–	22,473
Waiver of amount due to the immediate holding company	–	–	24,532	–	–	–	–	24,532	–	24,532
At 31 December 2010 and 1 January 2011	18,743	10,910	22,799	3,734	1,500	–	(40,347)	17,339	–	17,339
Profit for the year	–	–	–	–	–	–	14,848	14,848	101	14,949
Other comprehensive income for the year:										
Gain on property revaluation	–	–	–	–	–	15,065	–	15,065	–	15,065
Total comprehensive income for the year	–	–	–	–	–	15,065	14,848	29,913	101	30,014
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	296	296
Transfer from retained profits	–	–	–	1,302	–	–	(1,302)	–	–	–
Waiver of amount due to the immediate holding company	–	–	1,280	–	–	–	–	1,280	–	1,280
At 31 December 2011	18,743	10,910*	24,079*	5,036*	1,500*	15,065*	(26,801)*	48,532	397	48,929

* These reserve accounts comprise the consolidated reserves of approximately RMB29,789,000 (2010: approximately RMB(1,404,000)) in the consolidated statement of financial position

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**15,082**	22,473
Adjustments for:			
Amortisation of prepaid land lease payments	6	**3**	16
Depreciation of property, plant and equipment	6	**1,987**	2,067
Gain on disposal of items of property, plant and equipment	5	**(52)**	(49)
Gain on bargain purchase	30	**(861)**	–
Fair value gains on an investment property	5	**(196)**	–
Write off of property, plant and equipment	14	**20**	–
Reversal of impairment loss on loan receivable from former controlling shareholder	22	**(11,065)**	–
Reversal of impairment loss on reimbursement receivables for loss on financial guarantees		**–**	(23,940)
Payables waived by suppliers	5	**–**	(10)
Payable waived by former controlling shareholder	5	**–**	(4,722)
Interest income	5	**(27)**	(31)
Interest expenses	7	**–**	803
		4,891	(3,393)
Decrease/(increase) in inventories		**533**	(1,113)
Increase in trade receivables		**(5,387)**	(180)
Increase in prepayments, deposits and other receivables		**(856)**	(1,279)
Increase in trade payables		**740**	960
(Decrease)/increase in other payables and accruals		**(205)**	6,807
(Increase)/decrease in amounts of fellow subsidiaries		**(1,288)**	1,131
Cash (used in)/generated from operations		**(1,572)**	2,933
Corporate income tax paid		**(83)**	–
Net cash flows (used in)/from operating activities		**(1,655)**	2,933

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	30	**(277)**	–
Purchase of items of property, plant and equipment	14	**(761)**	(13)
Additions of construction in progress	14	**(671)**	–
Acquisition of an investment property	15	**(5,154)**	–
Proceeds from disposal of items of property, plant and equipment		**397**	129
Interest received		**27**	31
Net cash flows (used in)/from investing activities		**(6,439)**	147
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**–**	(10,650)
Decrease in loans receivable from controlling shareholder		**6,000**	–
(Repayment to)/advance from the immediate holding company		**(2,920)**	19,672
Interest paid	7	**–**	(803)
Net cash flows from financing activities		**3,080**	8,219
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,014)**	11,299
Cash and cash equivalents at beginning of year		**11,770**	471
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,756**	11,770

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON–CURRENT ASSETS			
Property, plant and equipment	*14*	**10,394**	12,371
Investment properties	*15*	**22,150**	–
Prepaid land lease payments	*16*	**128**	710
Investment in subsidiary	*17*	**1,800**	–
Total non-current assets		**34,472**	13,081
CURRENT ASSETS			
Inventories	*18*	**6,065**	6,598
Trade receivables	*19*	**8,113**	3,069
Prepayments, deposits and other receivables	*20*	**1,912**	1,817
Due from fellow subsidiaries	*21*	**1,453**	165
Loans receivable from former controlling shareholder	*22*	**–**	–
Cash and cash equivalents	*24*	**4,958**	11,770
Total current assets		**22,501**	23,419
CURRENT LIABILITIES			
Trade payables	*25*	**4,517**	3,777
Other payables and accruals	*26*	**3,893**	9,384
Total current liabilities		**8,410**	13,161
NET CURRENT ASSETS		**14,091**	10,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**48,563**	23,339
NON-CURRENT LIABILITIES			
Due to the immediate holding company	*27*	**(1,800)**	(6,000)
Net assets		**46,763**	17,339
EQUITY			
Issued capital	*28*	**18,743**	18,743
Reserves	*29(b)*	**28,020**	(1,404)
Total equity		**46,763**	17,339

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 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 fire fighting equipment products.

- provision of fire technology consulting testing and inspection services

The provision of fire technology consulting testing and inspection services was performed by a newly acquired subsidiary, Shanghai Liming Fire Testing Co., Limited, during the year.

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

2.1 BASIS OF PREPARATION

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The 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 2011. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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.

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and amended IFRS and IFRIC interpretations for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IAS 24 (Revised)	Related Party Disclosures
IAS 32 Amendment	Amendment to IAS 32 Financial instruments: Presentation – Classification of Rights issues
IFRIC 14 Amendments	Prepayments of a Minimum Funding Requirement
IFRIC – 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in Improvements to IFRSs 2010, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

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

(a) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 32 to the consolidated financial statements.

(b) Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs

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 has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

(i) IFRS 3 Business Combinations: The amendment clarifies that the amendments of IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs (Continued)

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(ii) IAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of change in equity.

(iii) IAS 27 Consolidated and Separate Financial Statement: The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IAS 1 Amendment	Presentation of financial statement – Other Comprehensive Income [3]
IAS 12 Amendment	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets [2]
IAS 19 Amendment	Employee benefits [4]
IAS 27	Separate Financial Statements [4]
IAS 28	Investments in Associate and Joint Ventures [4]
IAS 32 Amendment	Presentation – Offsetting Financial Assets and Liabilities[5]
IFRS 7 Amendment	Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets [1]
IFRS 7 Amendment	Amendments to IFRS 7 Financial Instruments: –Disclosures – Offsetting Financial Assets[4]
IFRS 9 and IFRS 9 Amendment	Financial Instruments [5]
IFRS 10	Consolidated Financial Statement [4]
IFRS 11	Joint Arrangement [4]
IFRS 12	Disclosure of Interests in other entities [4]
IFRS 13	Fair Value Measurement [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2015

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 these new and revised IFRSs are unlikely to have a significant impact on the both Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Group's income statement 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 HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations 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, the Group elects whether it measures 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 either 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 costs are expensed as incurred.

When the Group acquires a business, 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 acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (Continued)

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 acquire 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 of the subsidiary 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 loss. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. 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.

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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

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

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

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 any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in 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;

(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 income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the 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 principal annual rates used for this purpose are as follows:

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

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

Constructions in progress represent properties under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction 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 (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) 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 income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement 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 income statement.

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 income statement 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 income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, 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 include trade receivables, prepayments, deposits and other receivables, amounts due from fellow subsidiaries and, cash and bank balances.

Subsequent measurement

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

Loans and receivables

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

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

Impairment of financial assets

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

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 individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the 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.

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

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

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

Provisions

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

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

Income tax

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the 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 through the expected life of the financial instrument or a shorter period, 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 which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statements of income as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables, loans receivable and reimbursement 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.

Write down of inventories

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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

The recoverable amount of an asset is the higher of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The 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.

Useful lives of property, plant and equipment and estimation of depreciation charge

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.

4. OPERATING SEGMENT INFORMATION

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

(i) Sales of fire-fighting equipment segment – manufacture and sales of fire fighting equipment products; and

(ii) Consulting and testing services segment – provision of fire technology consulting, testing and inspection services (which was commenced during the year upon the acquisition of the subsidiary, Shanghai Liming Fire Testing Co., Limited).

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 from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income and finance costs as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude amount due to the immediate holding company and tax payables as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2010, the Group operated only in one business segment, being the manufacture and sales of fire fighting equipment products in the PRC. Accordingly, no further disclosures by the reportable segments based on business were made in last year.

For the year ended 31 December 2011

	Sales of fire-fighting Equipment *RMB'000*	**Consulting and testing services** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales/services provided to external customers	34,687	3,819	38,506
Segments results	1,087	1,056	2,143
Reconciliation:			
Interest income			27
Reversal of impairment loss on loan receivable from former controlling shareholder			11,065
Gain on bargain purchase			861
Gross rental income			790
Fair value gain on investment property			196
Profit before tax			15,082
Segment assets	33,022	4,302	37,324
Unallocated assets			22,150
Total assets			59,474

	Sales of fire-fighting Equipment *RMB'000*	**Consulting and testing services** *RMB'000*	**Total** *RMB'000*
Segment liabilities	8,410	286	8,696
Unallocated liabilities			1,849
Total liabilities			10,545
Capital expenditure*	7,450	29	7,479
Depreciation and amortisation	1,884	106	1,990

* Capital expenditure consists of additions to property, plant and equipment, investment properties and construction in progress, including assets from the acquisition of a subsidiary.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The Group operates principally in the PRC. Over 90% of the Group's revenue is derived from the operations in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, no further disclosures by the reportable segments based on geographical areas were made.

Information about a major customer

Revenue of approximately RMB4,460,000 (2010: RMB10,205,000) was derived from sales of fire-fighting equipment to a single customer, which is an independent third party, during the year ended 31 December 2011.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income arising from the Group's principal activities, being manufacture and sale of fire fighting equipment products and provision of fire technology consulting testing and inspection services, net of value added tax, trade discounts and returns during the year.

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

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Sales of fire-fighting equipment	**34,687**	21,362
Consulting and testing service rendered	**3,819**	–
Total revenue	**38,506**	21,362
Other income and Gains		
Interest income	**27**	31
Others	**139**	12
Gross rental income	**790**	185
Sales of scrap	**770**	455
Fair value gain on an investment property	**196**	–
Gain on disposal of items of property, plant and equipment	**52**	49
Payables waived by suppliers	**–**	10
Payable waived by former controlling shareholder	**–**	4,722
Total other income and gains	**1,974**	5,464
Total revenue, other income and gains	**40,480**	26,826

6. PROFIT BEFORE TAX

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

	2011	2010
	RMB'000	*RMB'000*
Cost of goods sold/services provided	**28,728**	19,992
Amortisation of prepaid land lease payments	**3**	16
Depreciation of property, plant and equipment	**1,987**	2,067
Minimum lease payments under operating leases:		
Plant and machinery	**29**	–
Land and buildings	**597**	346
Auditors' remuneration	**488**	423
Write off of property, plant and equipment	**20**	–
Provision for loss on financial guarantee	**–**	190
Staff costs (including directors' and supervisor' remuneration *(note 8)*):		
Wages and salaries	**6,031**	3,736
Pension scheme contributions	**728**	619
Social security costs	**179**	312
	6,938	4,667
Reversal of impairment loss on loans receivables from former controlling shareholder	**(11,065)**	–
Reversal of impairment loss on reimbursement receivables for loss on financial guarantees	**–**	(23,940)
Payables waived by former controlling shareholder	**–**	(4,722)
Gain on disposal of items of property, plant and equipment	**(52)**	(49)
Interest income	**(27)**	(31)

7. FINANCE COSTS

	Group	
	2011	2010
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	–	803

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Fees:		
Executive directors	**–**	47
Independent non-executive directors	**90**	90
	90	137
Other emoluments:		
Salaries, allowances and benefits in kind	**96**	–
Pension scheme contributions	**–**	–
	96	–
	186	137

(a) Independent non-executive directors

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Mr. Chen Wen Gui	**–**	30
Mr. Yang Chun Bao	**30**	30
Mr. Zhang Cheng Ying	**30**	–
Mr. Wang Guo Zhong	**30**	30
	90	90

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2011				
Executive directors				
Zhou Jin Hui	–	–	–	–
Gong Xu Lin	–	–	–	–
Shen Jian Zhong	–	96	–	96
	–	96	–	96
Non-executive directors				
Cai Xiao Fang	–	–	–	–
Wang Xiang	–	–	–	–
	–	–	–	–
Supervisors				
Mao Jiang Wei	–	–	–	–
Zhao Da Rong	–	–	–	–
Wan Xi Zhong	–	–	–	–
Total	–	96	–	96

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors and 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*
2010				
Executive directors				
Chen Yuen	–	–	–	–
Zhou Jin Hui	–	–	–	–
Zheng Yi Song	–	–	–	–
Hu Jing Hai	–	–	–	–
Chen Shi Da	47	–	–	47
Rao Jun Xi	–	–	–	–
	47	–	–	47
Non-executive directors				
Cai Xiao Fang	–	–	–	–
Gong Xu Lin	–	–	–	–
Wang Xiang	–	–	–	–
	–	–	–	–
Supervisors				
Tang Cheng	–	–	–	–
Wang Kou Cheng	–	–	–	–
Liu Xiong De	–	–	–	–
Total	47	–	–	47

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2010: one) director. Details of the remuneration of the remaining four (2010: four) non-directors, highest paid employees for the year ended 31 December 2011 are as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**187**	264
Pension scheme contributions	**–**	–
	187	264

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

	Number of employees	
	2011	2010
Nil to RMB1,000,000	**4**	4

10. INCOME TAX

No provision for Hong Kong profits tax have been made as the Group had no assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2011	2010
	RMB'000	*RMB'000*
Group:		
Current – elsewhere	**133**	–
Total tax charge for the year	**133**	–

10. INCOME TAX (CONTINUED)

The tax effect of temporary differences for deferred tax assets was not recognised in the financial statements due to the uncertainty of future profits streams against which the assets can be utilised (2010: Nil). These tax losses will expire in the next five years. Further details are disclosed in note 23 to the financial statements.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the subsidiary 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			
	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**15,082**		22,473	
Tax at statutory tax rate	**3,770**	**25**	5,618	25
Tax effect of non-deductible expenses	**772**	**5**	71	–
Tax effect of non-taxable income	**(1,144)**	**(8)**	–	–
Tax effect on utilisation of temporary differences not recognised	**(2,304)**	**(15)**	(5,998)	(25)
Tax effect of utilisation of tax losses from previous years	**(990)**	**(7)**	–	–
Tax effect of losses not recongised	**–**	**–**	309	–
Others	**29**	**–**	–	–
Tax charge at the Group's effective tax rate	**133**	**–**	–	–

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of RMB13,079,000 (2010: RMB22,473,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. 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 RMB14,848,000 (2010: RMB22,473,000) and on the number of ordinary shares of 187,430,000 (2010: 187,430,000) in issue during the year.

Diluted earnings per share is not presented for the years ended 31 December 2011 and 2010 as the Group had no potentially dilutive ordinary shares in issue during these years.

13. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

Group

	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 2011						
At 1 January 2011:						
Cost	–	6,713	23,178	1,363	546	31,800
Accumulated depreciation	–	(3,341)	(14,475)	(1,215)	(398)	(19,429)
Net carrying amount	–	3,372	8,703	148	148	12,371
At 1 January 2011, net of accumulated depreciation	–	3,372	8,703	148	148	12,371
Additions	671	102	596	37	26	1,432
Acquisition of a subsidiary *(note 30)*	–	–	68	64	761	893
Surplus on revaluation*	–	15,065	–	–	–	15,065
Transfer to investment properties* *(note 15)*	–	(16,206)	–	–	–	(16,206)
Write off	–	–	(20)	–	–	(20)
Disposals	–	–	(328)	(10)	–	(338)
Depreciation provided during the year	–	(66)	(1,708)	(64)	(149)	(1,987)
At 31 December 2011, net of accumulated depreciation	671	2,267	7,311	175	786	11,210
At 31 December 2011:						
Cost	671	2,952	19,464	1,264	1,429	25,780
Accumulated depreciation	–	(685)	(12,153)	(1,089)	(643)	(14,570)
Net carrying amount	671	2,267	7,311	175	786	11,210

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

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

14. 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 2011						
At 1 January 2011:						
Cost	–	6,713	23,178	1,363	546	31,800
Accumulated depreciation	–	(3,341)	(14,475)	(1,215)	(398)	(19,429)
Net carrying amount	–	3,372	8,703	148	148	12,371
At 1 January 2011, net of accumulated depreciation	–	3,372	8,703	148	148	12,371
Additions	671	102	582	22	25	1,402
Surplus on revaluation*	–	15,065	–	–	–	15,065
Transfer to investment properties* *(note 15)*	–	(16,206)	–	–	–	(16,206)
Write off	–	–	(20)	–	–	(20)
Disposals	–	–	(328)	(9)	–	(337)
Depreciation provided during the year	–	(66)	(1,703)	(55)	(57)	(1,881)
At 31 December 2011, net of accumulated depreciation	671	2,267	7,234	106	116	10,394
At 31 December 2011:						
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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

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

The buildings together with the prepaid land lease payments (note 16) are situated in the PRC and held under the medium term lease.

* On 1 November 2011, owner-occupied property and prepaid land lease payments (note 16) were transferred to investment property at an aggregate fair value of RMB16,800,000. The property was revalued at the date of change in use (i.e. 1 November 2011) by Ascent Partner Transaction Service Limited, an independent professional qualified valuer, at RMB16,800,000, on an open market, exiting use basis.

15. INVESTMENT PROPERTIES

	Group and Company	
	2011	2010
	RMB'000	*RMB'000*
Carrying amount at beginning of year	**–**	–
Transfer from owner-occupied property and prepaid land lease payments *(notes 14 and 16)*	**16,800**	–
Additions	**5,154**	–
Gain from a fair value adjustment	**196**	–
Carrying amount at 31 December	**22,150**	–

The investment properties are situated in the PRC and held under the medium term lease.

On 1 November 2011, owner-occupied property (note 14) and prepaid land lease payments (note 16) carried at an aggregate fair value of RMB16,800,000 was transferred to investment property. In the opinion of the directors, there is no material changes in fair value of the investment property of the Group between 1 November 2011 and 31 December 2011.

On 16 February 2011, the Company acquired an investment property from an independent third party at a consideration of RMB 5,154,000. The property was revalued on 31 December 2011 by Ascent Partner Transaction Service Limited at RMB 5,350,000, on an open market, existing use basis.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 31(a) to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	Group and Company	
	2011	2010
	RMB'000	*RMB'000*
Carrying amount at beginning of year	**728**	744
Transfer to investment properties *(note 15)*	**(594)**	–
Recognised during the year	**(3)**	(16)
Carrying amount at 31 December	**131**	728
Current portion included in prepayments, deposits and other receivables	**(3)**	(18)
Non-current portion	**128**	710

The leasehold land together with the building (note 14) is situated in the PRC and held under a medium term lease.

17. INTERESTS IN A SUBSIDIARY

	Company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted shares, at cost	**1,800**	–

Particulars of the subsidiary are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company activities**	**Principal**
上海黎明消防檢測有限公司Shanghai Liming Fire Testing Co., Limited ("Liming")*	People's Republic of China / Mainland China	RMB2 million	90	Provision of fire technology consulting, testing and inspection services

During the year, the Company acquired 90% equity interest in Liming from two independent third parties. Further details of the acquisition are included in note 30 to the financial statements. Liming is registered as a limited liability company established in the PRC.

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

18. INVENTORIES

	Group and Company	
	2011	2010
	RMB'000	*RMB'000*
Raw materials	**3,507**	2,867
Work in progress	**1,438**	1,880
Finished goods	**980**	1,708
Low cost consumables	**140**	143
	6,065	6,598

19. TRADE RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**8,879**	3,069	**8,113**	3,069

The Group's trading terms with its customers are mainly on credit, 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 and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

19. TRADE RECEIVABLES (CONTINUED)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**2,913**	1,613	**2,479**	1,613
1 to 2 months	**913**	386	**819**	386
2 to 3 months	**1,454**	241	**1,380**	241
Over 3 months	**3,599**	829	**3,435**	829
	8,879	3,069	**8,113**	3,069

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**5,112**	2,240	**4,678**	2,240
Less than 1 month past due	**1,413**	244	**1,320**	244
1 to 3 months past due	**1,138**	380	**1,063**	380
More than 3 months past due	**1,216**	205	**1,052**	205
	8,879	3,069	**8,113**	3,069

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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deposits and prepayments	**2,688**	1,707	**1,769**	1,707
Other receivables	**145**	110	**143**	110
	2,833	1,817	**1,912**	1,817

None of the above assets is either past due or impaired (2010: Nil). The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. DUE FROM FELLOW SUBSIDIARIES

Group and Company

	Notes	31-Dec 2011	Maximum amount outstanding during the year	1-Jan 2011
		RMB'000	*RMB'000*	*RMB'000*
Due from fellow subsidiaries				
Name				
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)*	218	655	95
上海聯滬消防器材有限公司 (literally translated as "Shanghai Lianhu Fire-fighting Equipment Company Limited, "SLFE")	*(i)&(ii)*	50	311	70
上海元蓬國際貿易有限公司 (literally translated as "Shanghai Yuanpeng International Trading Co., Ltd., "Yuanpeng")	*(i) &(iii)*	1,185	1,404	–
		1,453		165

21. DUE FROM FELLOW SUBSIDIARIES (CONTINUED)

Notes

(i) These companies are controlled by Zhejiang Hengtai, the Group's ultimate holding company. The amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

(ii) The amount due from SLFE as at 31 December 2010 was non-trade in nature and represented the net balance of cash advanced from, and settlement made, during the year ended 31 December 2010. The balance as at 31 December 2011 was trade in nature.

(iii) The Company and Yuanpeng entered into an agency agreement on 30 June 2011. Pursuant to the agreement, Yuanpeng became a sales agent of the Company from 1 July 2011. The commission paid to Yuanpeng during the year was approximately RMB366,000.

22. LOANS RECEIVABLE FROM FORMER CONTROLLING SHAREHOLDER

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans	**4,000**	10,000	**4,000**	10,000
Advanced from the Company	**1,000**	1,000	**1,000**	1,000
Bank loan interests and litigation costs	**–**	5,065	**–**	5,065
	5,000	16,065	**5,000**	16,065
Less: Impairment loss	**(5,000)**	(16,065)	(5,000)	(16,065)
	–	–	**–**	–

The loans were unsecured and repayable on demand. The loans as at 31 December 2010 bore same interest amounts as those related bank loans, while it was interest-free once the bank loans was fully repaid in prior year.

As at 31 December 2011, loans receivable of approximately to RMB5,000,000 (2010: RMB16,065,000) was determined to be impaired as the loans receivable were long outstanding and settlement is considered by the directors of the Company as remote.

22. LOANS RECEIVABLE FROM FORMER CONTROLLING SHAREHOLDER (CONTINUED)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**16,065**	15,411	**16,065**	15,411
Impairment losses recognised	**–**	654	**–**	654
Impairment losses reversed	**(11,065)**	–	**(11,065)**	–
At 31 December	**5,000**	16,065	**5,000**	16,065

23. DEFERRED TAX

a) Deferred tax assets not recognised

In accordance with the accounting policy in note 2.4 to the financial statements, the Group and the Company have not recognised deferred tax assets in respect of tax losses of approximately RMB Nil (2010: approximately RMB1,235,000) 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 (2010: 13,925,000) unused tax loss of the Group and the Company was expired.

At 31 December 2011, the Group's tax losses will expire in the following years:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In 2016	**–**	–	**–**	–
In 2015	**1,235**	1,235	**1,235**	1,235
In 2014	**776**	776	**776**	776
In 2013	**3,659**	3,659	**3,659**	3,659
In 2012	**270**	3,494	**270**	3,494
In 2011	**–**	736	**–**	736
	5,940	9,900	**5,940**	9,900

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

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank deposits	**6,472**	11,712	**4,834**	11,712
Cash on hand	**284**	58	**124**	58
Cash and cash equivalents	**6,756**	11,770	**4,958**	11,770

25. 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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**1,189**	1,362	**1,189**	1,362
1 to 2 months	**874**	519	**874**	519
2 to 3 months	**253**	207	**253**	207
Over 3 months	**2,201**	1,689	**2,201**	1,689
	4,517	3,777	**4,517**	3,777

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

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables	**2,282**	1,333	**2,178**	1,333
Accruals	**1,173**	595	**1,046**	595
Advances from customers	**322**	1,931	**322**	1,931
VAT payables	**402**	270	**347**	270
Provision for loss on financial guarantees provided *(note (b))*	**–**	190	**–**	190
Provision for bank loan related expenses *(note (c))*	**–**	5,065	**–**	5,065
	4,179	9,384	**3,893**	9,384

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

b) Provision for loss on financial guarantees provided by the Group and the Company to secure for the underlying bank loans (the "Underlying Bank Loans") granted to an ex-related company which were defaulted by it together with interests accrued, penalty interests and legal costs. All the financial guarantees and the pledges of assets had been released as at 31 December 2010. The movements of the provision are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**190**	23,940	**190**	23,940
Charge for the year	**–**	190	**–**	190
Settlement of the bank loans by the ex-related company	**(190)**	(23,940)	**(190)**	(23,940)
At 31 December	**–**	190	**–**	190

c) Provision for bank loan related expense represented the interests, penalty interests and legal costs incurred for the Underlying Bank Loans as mentioned in note (b) above. The Underlying Bank Loans had been fully settled in 2010. The movements of the provisions are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**5,065**	4,411	**5,065**	4,411
Charge for the year	**–**	654	**–**	654
Repayment for the year	**(5,065)**	–	**(5,065)**	–
At 31 December	**–**	5,065	**–**	5,065

27. DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company is unsecured, interest-free and repayable when the Company's net asset value exceeds RMB100 million and is able to settle.

During the year, the immediate holding company paid certain legal and professional fee of approximately RMB1,280,000 (2010: RMB2,619,000) on behalf of the Company and agreed not to demand for repayment from the Company. Accordingly, the amount was accounted for as a waiver of amount payable to the immediate holding company and recognised in the capital reserve during the year.

28. SHARE CAPITAL

	2011	2010
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
131,870,000 unlisted domestic shares ("Domestic Shares") of RMB0.10 each	**13,187**	13,187
55,560,000 overseas listed foreign invested shares ("H Shares") of RMB0.10 each	**5,556**	5,556
	18,743	18,743

29. RESERVES

a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

(i) Share premium

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

29. RESERVES (CONTINUED)

a) Group (Continued)

(ii) Capital 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*
At 1 January 2010	(1,733)	24,532	22,799
Appropriation	–	–	–
At 31 December 2010 and 1 January 2011	(1,733)	24,532	22,799
Waiver of amount due to the immediate holding company	–	1,280	1,280
At 31 December 2011	(1,733)	25,812	24,079

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 resulted from a transfer of equity capital between investors of Shanghai Qingpu Fire-Fighting Equipment Factory in 1996, the Company's property, plant and equipment was revalued, and a revaluation surplus of approximately RMB1,733,000 was recorded as paid-in capital in its PRC GAAP financial statements. In the Company's financial statements prepared under IFRS, all property, plant and equipment was stated at historical cost. Accordingly, an adjustment of the same amount was recorded as a deficit of capital reserve.

29. RESERVES (CONTINUED)

a) Group (Continued)

(iii) Statutory reserve fund

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

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

(iv) Discretionary common reserve fund

The Group may, at its discretion and subject to approval of its shareholders, transfer its retained earnings balance to its discretionary common reserve fund. The usage of discretionary common reserve fund is similar to that of the statutory reserve fund.

29. RESERVES (CONTINUED)

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 29(a(i))	*note 29(a(ii))*	*note 29(a(iii))*	*note 29(a(iv))*			
At 1 January 2010	10,910	(1,733)	3,734	1,500	–	(62,820)	(48,409)
Total comprehensive income for the year	–	–	–	–	–	22,473	22,473
Waiver of amount due to the immediate holding company	–	24,532	–	–	–	–	24,532
At 31 December 2010 and January 2011	10,910	22,799	3,734	1,500	–	(40,347)	(1,404)
Profit for the year	–	–	–	–	–	13,079	13,079
Other comprehensive income for the year:							
Gain on property revaluation	–	–	–	–	15,065	–	15,065
Waiver of amount due to the immediate holding company	–	1,280	–	–	–	–	1,280
Appropriation	–	–	1,302	–	–	(1,302)	–
At 31 December 2011	10,910	24,079	5,036	1,500	15,065	(28,570)	28,020

30. BUSINESS COMBINATION

On 31 May 2011, the Company acquired a 90% equity interest in Liming from two independent third parties at a total cash consideration of RMB1,800,000. Liming is engaged in the provision of fire technology consulting, testing and inspection services.

The Group has elected to measure the non-controlling interests in Liming at the non controlling interests' proportionate share of Liming's identifiable net assets.

30. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of Liming as at acquisition were as follows:

	Note	Fair value recognised on acquisition RMB'000
Property, plant and equipment	14	893
Trade receivables		424
Prepayments and other receivables		175
Cash and bank balances		1,523
Other payables and accruals		(58)
		2,957
Non-controllable interests		(296)
Gain on bargain purchase in the consolidated income statement		(861)
Satisfied by cash		1,800

The fair values and the gross contractual amounts of the trade receivables, and other receivables as at the date of acquisition were approximately RMB424,000 and RMB140,000, respectively.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(1,800)
Cash and bank balances acquired	1,523
	(277)

Since its acquisition, Liming contributed approximately RMB4,032,000 to the Group's revenue and approximately RMB1,011,000 to the consolidated profit for the year ended 31 December 2011.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group would have been approximately RMB40,519,000 and approximately RMB15,626,000, respectively.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2011, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

	Group and Company	
	2011	2010
	RMB'000	*RMB'000*
Within one year	**1,560**	500
In the second to fifth years, inclusive	**6,246**	1,573
	7,806	2,073

(b) As lessee

The Group leases certain land and buildings from an independent party under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases with its tenant falling due as follows:

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**704**	346	**375**	346
In the second to fifth years, inclusive	**3,110**	837	**1,060**	837
After five years	**1,050**	737	**1,396**	737
	4,864	1,920	**2,831**	1,920

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions 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	
	2011	2010
	RMB'000	*RMB'000*
Sales of goods		
Liancheng	**–**	572
SPFE	**866**	797
SLFE	**850**	403
Yuanpeng	**3,231**	–
	4,947	1,772
Commission expenses		
Yuanpeng	**366**	–

On 3 December 2010, the ultimate controlling shareholder and immediate holding company have undertaken to provide to the Company an unsecured, interest-free shareholders' loan facility in the sum of not exceeding RMB100 million (the "Facility") for a term of five years. In addition, the Facility could be extended for further two years. As at 31 December 2011, the Facility have not been utilised. Liancheng has advanced RMB 1.8 million to the Company.

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.

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

(b) Compensation of key management personnel of the Group comprises 12 (2010: 12) directors and 3 (2010: 3) supervisors. Details of their remuneration are included in note 8 to the financial statements.

33. MAJOR NON-CASH TRANSACTION

During the year, certain legal and professional fee of approximately RMB1,280,000 (2010: 2,619,000) paid by the immediate holding company on behalf of the Company was waived by the immediate holding company (note 27).

In September 2011, interests, penalty interests and legal costs in relation to the Underlying Bank Loan (note 26(c)) of an aggregate amount of RMB5,065,000, was paid by the former controlling shareholder to the bank.

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 2011

Financial assets

	Loans and receivables	
	Group	**Company**
	RMB'000	*RMB'000*
Trade receivables	**8,879**	**8,113**
Financial assets included in prepayments, deposits and other receivables	**1,183**	**294**
Due from fellow subsidiaries	**1,453**	**1,453**
Cash and bank balances	**6,756**	**4,958**
	18,271	**14,818**

Financial liabilities

	Financial liabilities at amortised cost	
	Group	**Company**
	RMB'000	*RMB'000*
Trade payables	**4,517**	**4,517**
Other payables and accruals	**4,179**	**3,893**
Due to the immediate holding company	**1,800**	**1,800**
	10,496	**10,210**

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2010 — **Group and Company**

Financial assets

	Loans and receivables *RMB'000*
Trade receivables	3,069
Financial assets included in prepayments, deposits and other receivables	110
Due from Fellow subsidiaries	165
Cash and bank balances	11,770
	15,114

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	3,777
Financial liabilities included in other payables and accruals	9,384
Due to the immediate holding company	6,000
	19,161

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 ongoing 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.

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 and immediate holding company have undertaken to provide to the Company an unsecured, interest-free shareholders' loan facility in the sum of not exceeding RMB100 million for a term of five years. The Facility could be extended for further two years.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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 2011		**Group**	
	On demand or no fixed repayment terms	**1 to 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Trade payables	**4,517**	**–**	**4,517**
Other payables and accrued expenses	**3,893**	**–**	**3,893**
Due to the immediate holding company	**–**	**1,800**	**1,800**
	8,410	**1,800**	**10,210**

31 December 2010			
	On demand or no fixed terms of repayment	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	3,777	–	3,777
Other payables and accrued expenses	9,384	–	9,384
Due to the immediate holding company	–	6,000	6,000
	13,161	6,000	19,161

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2011		**Company**	
	On demand or no fixed repayment terms	**1 to 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Trade payables	**4,517**	**–**	**4,517**
Other payables and accrued expenses	**3,893**	**–**	**3,893**
Due to the immediate holding company	**–**	**1,800**	**1,800**
	8,410	**1,800**	**10,210**

31 December 2010			
	On demand or no fixed terms of repayment	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	3,777	–	3,777
Other payables and accrued expenses	9,384	–	9,384
Due to the immediate holding company	–	6,000	6,000
	13,161	6,000	19,161

35. 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 of issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

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 the immediate holding company, 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:

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**4,517**	3,777
Other payables and accruals	**4,179**	9,384
Due to the immediate holding company	**1,800**	6,000
Less: Cash and cash equivalents	**(6,756)**	(11,770)
Net debt	**3,740**	7,391
Equity attributable to owners of the Company	**48,532**	17,339
Capital and net debt	**52,272**	24,730
Gearing ratio	**7%**	30%

36. COMPARATIVE AMOUNTS

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

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2012.

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 financial statements and restated/reclassified as appropriate, is set out below.

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
REVENUE	**38,506**	21,362	20,365	31,604	38,302
Cost of sales	**(28,728)**	(19,992)	(19,323)	(30,890)	(36,600)
Gross profit	**9,778**	1,370	1,042	714	1,702
Other income and gains	**1,974**	5,464	12,519	1,704	1,321
Selling and distribution costs	**(843)**	(357)	(212)	(1,313)	(1,463)
Administrative expenses	**(7,753)**	(7,141)	(5,872)	(6,424)	(8,270)
Finance costs	**–**	(803)	(509)	(523)	(530)
Write-off on trade receivables	**–**	–	(103)	(38)	(320)
Write off on deposits and prepayments	**–**	–	–	–	(202)
(Provision)/reversal of impairment losses on loans receivable from former controlling shareholder	**11,065**	–	–	(1,009)	(1,235)
Gain on bargain purchase recognised in other income and gains in the condensed consolidated statement of comprehensive income	**861**	–	–	–	–
Provisions for loss on financial guarantees	**–**	(190)	(670)	(882)	(887)
Reimbursement receivable for loss on financial guarantees	**–**	190	670	882	887
Reversal/(Provision of) impairment loss on reimbursement receivables for loss on financial guarantees	**–**	23,940	(670)	(697)	(825)
PROFIT/(LOSS) BEFORE TAX	**15,082**	22,473	(6,195)	(7,586)	(9,822)
Tax	**(133)**	–	–	–	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**14,949**	22,473	(6,195)	(7,586)	(9,822)
ASSETS AND LIABILITIES					
TOTAL ASSETS	**59,474**	36,500	39,910	70,944	70,944
TOTAL LIABILITIES	**(10,545)**	(19,161)	(69,576)	(99,219)	(99,219)
	48,929	(17,339)	(29,666)	(28,275)	(28,275)

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