



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

上海青浦消防器材股份有限公司

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

(Stock Code: 8115)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

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* For the identification purpose only

QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company” and its subsidiaries, collectively the “Group”) is pleased to announce the unaudited results of the Group for the nine months ended 30 September 2014 together with the unaudited comparative figures for the corresponding period in 2013, as follows:

	<i>Notes</i>	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Revenue	3	102,537	89,247	23,631	28,474
Cost of sales		(82,492)	(71,903)	(18,238)	(22,927)
Gross profit		20,045	17,344	5,393	5,547
Other income and gains	3	1,399	2,096	733	604
Selling and distribution expense		(2,553)	(2,671)	(1,136)	(883)
Administrative expenses		(11,738)	(10,327)	(3,715)	(3,457)
Profit before tax		7,153	6,442	1,275	1,811
Income tax expense	4	(1,338)	(1,087)	(153)	(461)
Profit for the period and total comprehensive income for the period		5,815	5,355	1,122	1,350
Attributable to:					
Owners of the Company		5,559	5,088	1,037	1,268
Non-controlling interests		256	267	85	82
		5,815	5,355	1,122	1,350
Dividend	6	–	–	–	–
Profit per share (RMB)					
– Basic (cents)	5	3.0	2.7	0.6	0.7
– Diluted (cents)		3.0	2.7	0.6	0.7

Notes:

1. GENERAL

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) as a collective enterprise under the name of Shanghai Qingpu Fire-Fighting Equipment Factory (“上海青浦消防器材廠”). In 1999, it was transformed into a limited liability company. Through a series of equity transfers and capital injections in 2000, the Company was transformed into a joint stock limited liability company on 1 December 2000 and was renamed as Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (“上海青浦消防器材股份有限公司”). The registered office of the Company is located at No. 1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC and its principal place of business in Hong Kong is situated at Unit 2605, Island Place Tower, 510 King’s Road, North Point, Hong Kong.

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

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

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

In the opinion of the directors, the Company’s 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 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements of the Group have been prepared in accordance with International Accounting Standard (“IAS”) No. 34 “Interim Financial Reporting” and International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the Rules Governing the Listing of Securities on the GEM. The financial information has been prepared under the historical convention, except for investment properties that are measured at fair value.

The condensed financial statements for the three months and nine months ended 30 September 2014 are unaudited, but have been reviewed by the audit committee of the Company.

Other than the adoption of the new and revised IFRSs as below, the accounting policies adopted are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013.

In the current period, the Group has adopted, for the first time, the following new and revised standards and interpretations (the “new and revised IFRSs”) published by the IASB which are effective for the Group’s financial year beginning 1 January 2014:

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies

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

2.2 ACQUISITION UNDER COMMON CONTROL

On 7 November 2012, the Company and its subsidiary, Shanghai Liming Fire Testing Co., Limited (“Liming”), entered into a sale and purchase agreement (“Agreement”) (and an excluded interest agreement with the Vendors, Shanghai Anchor Pressure Vessel (Group) Co., Limited (“Anchor”) and Shanghai Pressure Special Gas Cylinder Co., Limited (“Special Cylinder”), a subsidiary of Anchor, as part of the transaction under the Agreement) with Liancheng and Mr. Wang Sheng, an independent third party (collectively, the “Vendors”), pursuant to which, the Company and Liming acquired from the Vendors the entire issued share capital of Anchor and its subsidiaries (collectively, the “Anchor Group”), except for the land and building situated at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai (the “Excluded Interest”) held by Special Cylinder, at a consideration of RMB6 million (the “Acquisition”).

An Extraordinary General Meeting (the “EGM”) was held on 23 July 2013, and the independent shareholders of the Company approved all the resolutions proposed at the EGM, including the Agreement, supplemental agreements, the excluded interest agreement and the transactions contemplated under each of them.

The Acquisition was completed on 29 July 2013. The Company directly and indirectly holds an effective interest of 99% of the equity interest in Anchor.

The Acquisition is considered as a business combination under common control since the Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition.

Accordingly, the Group has applied merger accounting to account for the business combination under common control, the Anchor Group has been combined since 11 April 2011, the earlier of the date the Anchor Group being controlled by Liancheng, as if the Acquisition had occurred at that time. No significant adjustments were made to the net assets and net profit of the Anchor Group as a result of the common control combination in order to align its accounting policies with the Group.

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

Unaudited condensed consolidated statement of profit or loss

For the nine months ended 30 September 2014

	Qingpu Group* <i>RMB'000</i> (Unaudited)	Anchor Group <i>RMB'000</i> (Unaudited)	Adjustments# <i>RMB'000</i> (Unaudited)	The Group <i>RMB'000</i> (Unaudited)
Revenue	59,476	43,199	(138)	102,537
Cost of sales	<u>(47,446)</u>	<u>(35,184)</u>	<u>138</u>	<u>(82,492)</u>
Gross profit	12,030	8,015	–	20,045
Other income and gains	1,372	535	(508)	1,399
Selling and distribution expenses	(1,022)	(2,039)	508	(2,553)
Administrative expenses	<u>(5,798)</u>	<u>(5,940)</u>	<u>–</u>	<u>(11,738)</u>
Profit before tax	6,582	571	–	7,153
Income tax	<u>(1,186)</u>	<u>(152)</u>	<u>–</u>	<u>(1,338)</u>
Profit for the period	<u><u>5,396</u></u>	<u><u>419</u></u>	<u><u>–</u></u>	<u><u>5,815</u></u>
Attributable to:				
Owners of the Company	5,167	396	(4)	5,559
Non-controlling interests	<u>229</u>	<u>23</u>	<u>4</u>	<u>256</u>
	<u><u>5,396</u></u>	<u><u>419</u></u>	<u><u>–</u></u>	<u><u>5,815</u></u>

Unaudited condensed consolidated statement of profit or loss

For the nine months ended 30 September 2013

	Qingpu Group* <i>RMB'000</i> (Unaudited)	Anchor Group <i>RMB'000</i> (Unaudited)	Adjustments# <i>RMB'000</i> (Unaudited)	The Group <i>RMB'000</i> (Unaudited)
Revenue	35,203	54,044	–	89,247
Cost of sales	<u>(26,781)</u>	<u>(45,122)</u>	<u>–</u>	<u>(71,903)</u>
Gross profit	8,422	8,922	–	17,344
Other income and gains	1,655	614	(173)	2,096
Selling and distribution expenses	(505)	(2,339)	173	(2,671)
Administrative expenses	<u>(4,072)</u>	<u>(6,255)</u>	<u>–</u>	<u>(10,327)</u>
Profit before tax	5,500	942	–	6,442
Income tax	<u>(833)</u>	<u>(254)</u>	<u>–</u>	<u>(1,087)</u>
Profit for the period	<u><u>4,667</u></u>	<u><u>688</u></u>	<u><u>–</u></u>	<u><u>5,355</u></u>
Attributable to:				
Owners of the Company	4,456	637	(5)	5,088
Non-controlling interests	<u>211</u>	<u>51</u>	<u>5</u>	<u>267</u>
	<u><u>4,667</u></u>	<u><u>688</u></u>	<u><u>–</u></u>	<u><u>5,355</u></u>

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

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

3. TURNOVER, 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 pressure vessels (including fire-fighting equipment products and pressure vessels products), provision of fire technology inspection services, manufacture and trading of iron casted grooved couplings and trading of sanitary-ware and other products, net of business tax, value-added tax, trade discounts and returns during the period.

An analysis of the Group's revenue, other income and gains is as follows:

	Unaudited		Unaudited	
	Nine months ended		Three months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue				
Sales of pressure vessels	63,364	63,321	20,654	19,837
Inspection service rendered	5,977	5,184	2,241	1,693
Trading of iron casted grooved couplings	510	8,209	–	1,969
Trading of sanitary-ware and other products	32,686	12,533	736	4,975
	102,537	89,247	23,631	28,474
Other income and gains				
Interest income	221	37	113	11
Sundry income	–	113	–	6
Gross rental income	787	1,712	394	521
Sales of scraps	391	234	226	66
	1,399	2,096	733	604
Total revenue, other income and gains	103,936	91,343	24,364	29,078

4. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (nine months ended 30 September 2013: Nil). Under the Corporate Income Tax Law, the corporate income tax (“CIT”) rate is calculated at a rate of 25% on the Group’s estimated assessable profits for the nine months ended 30 September 2014 and 2013.

	Unaudited	
	Nine months ended	
	30 September	
	2014	2013
	RMB’000	RMB’000
Current tax – PRC		
Provision for the period	1,338	1,087

The Group did not have any material unprovided deferred tax for the nine months ended 30 September 2014 and 2013 as the temporary differences are immaterial.

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

The calculation of the basic earnings per share for the nine months ended 30 September 2014 is based on the profits attributable to equity holders of the Company of approximately RMB5,559,000 (nine months ended 30 September 2013: approximately RMB5,088,000), and on the number of 187,430,000 ordinary shares (30 September 2013: 187,430,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts for nine months ended 30 September 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

6. DIVIDEND

No dividend have been paid or declared by the Group during the nine months ended 30 September 2014 (nine months ended 30 September 2013: Nil).

7. EQUITY

	Attributable to owners of the Company									
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Discretionary common reserve fund RMB'000	Asset revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<i>Nine months ended 30 September 2014</i>										
As at 1 January 2014	18,743	10,910	43,655	5,870	1,500	11,299	(13,126)	78,851	(333)	78,518
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	5,559	5,559	256	5,815
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(255)	(255)
As at 30 September 2014	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>5,870</u>	<u>1,500</u>	<u>11,299</u>	<u>(7,567)</u>	<u>84,410</u>	<u>(332)</u>	<u>84,078</u>
<i>Nine months ended 30 September 2013</i>										
As at 1 January 2013	18,743	10,910	43,655	5,553	1,500	11,299	(20,610)	71,050	(347)	70,703
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	5,088	5,088	267	5,355
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(255)	(255)
As at 30 September 2013	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>5,553</u>	<u>1,500</u>	<u>11,299</u>	<u>(15,522)</u>	<u>76,138</u>	<u>(335)</u>	<u>75,803</u>

8. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties, which also constitute continuing connected transactions under the GEM Listing Rules, during the period:

	Unaudited Nine months ended 30 September 2014		Unaudited Three months ended 30 September 2014	
	RMB'000	2013 RMB'000	RMB'000	2013 RMB'000
Commission expenses				
Shanghai J.S.X. International Trading Corporation*	<u>N/A</u>	<u>173</u>	<u>N/A</u>	<u>–</u>
Sales of goods				
Shanghai Petro-Chemical Fire-fighting Engineering Company Limited#	<u>1,013</u>	<u>880</u>	<u>477</u>	<u>285</u>
Shanghai Lianhu Fire-fighting Equipment Company Limited#	<u>1,634</u>	<u>3,813</u>	<u>106</u>	<u>1,660</u>
	<u>2,647</u>	<u>4,693</u>	<u>583</u>	<u>1,945</u>

These companies are controlled by Zhejiang Hengtai, the ultimate holding company of the Group.

* The amount represented commission expenses by the Group during the period from 1 January 2013 to 29 July 2013. Shanghai J.S.X. International Trading Corporation has become a subsidiary of the Company since 29 July 2013. These transactions have been fully eliminated for the three months ended 30 September 2013 under the merger accounting treatment.

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

BUSINESS AND FINANCIAL REVIEW

Turnover

The Group

For the nine months ended 30 September 2014, the Group recorded a turnover of approximately RMB102,537,000 (nine months ended 30 September 2013: RMB89,247,000), representing an increase of approximately 14.9% over the corresponding period of last year.

The Qingpu Group

For the nine months ended 30 September 2014, the turnover increased from approximately RMB35,203,000 to RMB59,476,000, representing an increase of approximately 69% over the corresponding period of last year. The increase is a result of the efforts of the sales department of the Company and an increase in trading business.

The Anchor Group

For the nine months ended 30 September 2014, the turnover decreased from approximately RMB54,044,000 to RMB43,199,000, representing a decrease of approximately 20.1% over the corresponding period of last year. This is due to less projects obtained because of unsuccessful tender results and a decrease in trading business.

Gross profit

The Group

For the nine months ended 30 September 2014, the Group recorded overall gross profit of approximately RMB20,045,000 (nine months ended 30 September 2013: RMB17,344,000), representing an increase of approximately 15.6% over the corresponding period of last year.

The Qingpu Group

For the nine months ended 30 September 2014, the gross profit increased from approximately RMB8,422,000 to RMB12,030,000. The gross margin decreased by 3.7 percentage points to 20.2% from 23.9% of corresponding period of last year. Such decrease was primarily attributable to the increase in lower gross margin trading business.

The Anchor Group

For the nine months ended 30 September 2014, the gross profit decreased from approximately RMB8,922,000 to RMB8,015,000, representing an increase of 2.1 percentage points to 18.6% from 16.5% of corresponding period of last year. This is due to a decrease in a lower gross margin trading business.

Other income and gains

The Group

Other income and gains for the nine months ended 30 September 2014 decreased by approximately RMB697,000 from RMB2,096,000 for the nine months ended 30 September 2013 to approximately RMB1,399,000.

The Qingpu Group

For the nine months ended 30 September 2014, other income and gains decreased from approximately RMB1,655,000 to RMB1,372,000, representing a decrease of approximately 17.1% over the corresponding period of last year. This is mainly due to the termination of the rental agreement and thus a decrease in rental income.

The Anchor Group

For the nine months ended 30 September 2014 and 2013, other income and gains are approximately RMB535,000 and RMB614,000 respectively, representing a decrease of approximately 12.9%. This is mainly due to a decrease in sale of scraps.

Selling and distribution expenses

The Group

For the nine months ended 30 September 2014, the Group's selling and distribution expenses decreased to approximately RMB2,553,000 from RMB2,671,000, representing an decrease of 4.4% over the corresponding period of last year.

The Qingpu Group

For the nine months ended 30 September 2014, the selling and distribution expenses increased from approximately RMB505,000 to RMB1,022,000, representing a increase of 102.4% due to the increase in entertainment expenses to secure more trading business and commission expenses.

The Anchor Group

For the nine months ended 30 September 2014, the selling and distribution cost decreased from approximately RMB2,339,000 to RMB2,039,000, representing a decrease of 12.8%. This is due to the decrease in trading business.

Administrative expenses

The Group

For the nine months ended 30 September 2014, the Group's administrative expenses amounted to approximately RMB11,738,000 (nine months ended 30 September 2013: RMB10,327,000), representing an increase of approximately 13.7% over the corresponding period of last year.

The Qingpu Group

For the nine months ended 30 September 2014, the administrative expenses increased from approximately RMB4,072,000 to RMB5,798,000, representing an increase of 42.4%. This is mainly due to the increase in research and development cost on new products.

The Anchor Group

For the nine months ended 30 September 2014 and 2013, administrative expenses are approximately RMB5,940,000 and RMB6,255,000, respectively, representing a decrease of 5.1%. This is mainly due to the decrease in administrative staff salaries.

Finance costs

No finance costs were recorded for the nine months ended 30 September 2014 and 2013.

Profit for the period

For the nine months ended 30 September 2014, the Group recorded profit for the period of approximately RMB5,815,000 (nine months ended 30 September 2013: RMB5,355,000), representing an increase of approximately 8.6%, which was primary attributable to the increase in trading business.

Income tax

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

The EIT is calculated on the estimated assessable profits at 25% for the nine months ended 30 September 2014 after offsetting against tax losses brought forward from previous years (nine months ended 30 September 2013: 25%).

Non-controlling interests

For the nine months ended 30 September 2014, profit for the period attributable to non-controlling interests are approximately RMB256,000 (nine months ended 30 September 2013: RMB267,000).

MATERIAL ACQUISITION

On 11 July 2014, the board of directors (the “Directors”) of the Company resolved that, subject to certain pre-conditions, the Company would submit a bid to acquire a parcel of land located at Nos. 56, 綠島南路 (Lu Dao South Road*) of Quzhou City, Zhejiang Province, the PRC with an area of 46,496 sq. m., and a total of four buildings with a total gross floor area of approximately 20,412.85 sq. m. erected on the Land through an open auction arranged by the People’s Court of Kecheng District of Quzhou City*(衢州市柯城區人民法院) (the “Proposed Acquisition”), pursuant to which the bid consideration will not be higher than RMB35,000,000. The Proposed Acquisition was held on between 10 August 2014 and 11 August 2014, between 22 September 2014 and 23 September 2014, and between 19 October 2014 and 20 October 2014. Taking into account of (i) the starting bid price under the auction between 19 October 2014 and 20 October 2014 for the Proposed Acquisition was RMB27,550,000, representing approximately 78.7% of the maximum bid price of the Company; (ii) the starting bid price of 27,550,000 only represented a downward adjustment of approximately 17.8% and 9.8% as compared to that of the auctions held for the Proposed Acquisition between 10 August 2014 and 11 August 2014 and the auction held for the Proposed Acquisition between 22 September 2014 and 23 September 2014, respectively; and (iii) the general rule that if the auction ordered by a court in the PRC failed due to lack of response, the starting bid price would be adjusted downwards by a maximum of 20% of the previous starting bid price, the Company decided not to place a bid in the auction held between 19 October 2014 and 20 October 2014 for the Proposed Acquisition with a view to enhance the bidding power of the Company and achieve a lower winning price for the Proposed Acquisition.

It is currently expected that the fourth auction for the Subject Assets will be held on a date decided by the People’s Court of Kecheng District of Quzhou City* (衢州市柯城區法院) (the “Fourth Auction”). It is currently the intention of the Company to place a bid in the Fourth Auction with a maximum bid price of RMB35,000,000.

OUTLOOK

The Company’s fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Company can meet the diversified needs of the customers. In addition, the Company’s fire extinguishers for non-marine use are granted the Certificate for Product Type Approval by the CCCF and its fire extinguishers for marine use are granted the Certificates of Type Approval by the China Classification Society, Shanghai Branch (“CCS”). The Company’s pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the USA and the European Union. The high quality of the Company’s products will enhance the competitiveness in the market. Shanghai Anchor Pressure Vessel (Group) Co., Ltd. (上海鐵錨壓力容器(集團)有限公司) and its subsidiaries (“Anchor Group”) possesses the Manufacture Licence of Special Equipment (特種設備製造許可證) for high-pressure vessels, seamless gas cylinders, welded gas cylinders, special gas cylinders, Category I

pressure vessels, and Category II low and medium pressure vessels. Such licence is issued by the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局). Anchor Group also holds the Manufacture Enterprise Licence of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use. Such licence is issued by Shanghai Food and Drug Administration (上海市食品藥品監督管理局) and will be expired on 30 January 2016. Because of tightened regulatory procedures, production of dry powder fire extinguisher in Shanghai Qingpu Fire Fighting Equipment Company Limited has been stopped on 16 March 2014. The renewal procedures of manufacturing licenses were completed in April 2014 and production of dry powder fire extinguisher has resumed in May 2014. There are no material impact on sales and production of the Group.

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

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

LONG TERM STRATEGY

We believe that the Company, with our experienced management team, firm and clear development directions, the manufacturing of quality products and the provision of quality services, will be able to sharpen our competitive edge. The Company will continue to develop new market of high margin products/ businesses and also prudently consider acquiring relevant enterprises which possess sound profitability by way of capital increment in accordance with the relevant laws and regulations in order to accelerate the growth of our profitability so that the Company will become a major enterprise in the manufacturing and sale of fire-fighting equipment and relevant business in the PRC and overseas. The Group plans to consolidate its two production bases, namely the Qingpu Factory (as defined below) and the Yangjin Factory (as defined below). The Company’s production base in Qingpu (the “Qingpu Factory”) principally manufactures fire-fighting equipment products include fire extinguishers and fire extinguisher cylinders, and the Company’s production base in Yangjin (the “Yangjin Factory”) principally manufactures and processes metal vessels and accessories and medical machine and accessories, installs typical machine and electrical machine. The remaining production base of the Group is located in Feng Xian District of Shanghai and principally manufactures boiler tube.

The Group plans to move and consolidate all of its existing production procedures from the Qingpu Factory and the Yangjin Factory to enhance the efficiency in resources allocation, management centralization, reduce transportation costs in transferring materials between the production bases and reduce labour costs of the Company. Due to the difference in production procedures, the remaining production base will not be relocated to the Subject Assets. The Company will monitor and review the progress and the result of the consolidation so as to formulate further production consolidation plan as and when appropriate, and the Company may consider to relocate the remaining factory of the Group to a larger production base to enhance the potential growth and competitiveness of the Group. After the Qingpu Factory and the Yangjin Factory are completely consolidated into the Subject Assets, the Company may consider broaden its revenue stream by leasing, disposing or redeveloping the Qingpu Factory and/or the Yangjin Factory subject to the compliance of the relevant laws and regulations. In any event, the Company will comply with the relevant requirements under the GEM Listing Rules as and when appropriate.

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

As at 30 September 2014, the interests and short positions of the Directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long positions in shares of the Company

Name	Capacity	Number of shares	Approximate percentage of total issued share capital
Mr. Zhou Jin Hui (<i>Note 1</i>)	Held by controlled corporation	133,170,000	71.05%

Notes:

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. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Save as disclosed above, as at 30 September 2014, none of the Directors and supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2014, the following person, other than the Director and supervisors of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares of the Company

Name of Shareholders	Capacity	Number of shares	Approximate percentage of total issued share capital
Liancheng Fire-Fighting Group Company Limited	Beneficial owner	131,870,000 (<i>Note 1</i>)	70.36%
	Held by controlled corporation	1,300,000 (<i>Note 2</i>)	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 (<i>Note 1</i>)	70.36%
	Held by controlled corporation	1,300,000 (<i>Note 2</i>)	0.69%

Notes:

- All represented domestic shares of the Company.
- 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. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Liancheng Fire-Fighting Group Company Limited is owned as to 80% by Hengtai Real Estate, 20% by Mr. Zhou Jin Hui.

Save as disclosed above, the Company has not been notified of any other relevant interests representing 5 percent or more in the issued shares capital of the Company as at 30 September 2014.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

To the best knowledge of the Board, save as disclosed in note 8 of this announcement, no contracts of significance in relation to the Company's business to which the Company was a party and in which any persons who were Directors and supervisors of the Company during the nine months ended 30 September 2014 had a material interest, whether directly or indirectly, subsisted at 30 September 2014 or at any time during the nine months ended 30 September 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 30 September 2014, the Company did not purchase, sell or redeem any of the Company's listed securities.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) established with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group and to provide advice to the Directors of the Company.

The Audit Committee comprises one non-executive Director Ms. Chai Xiao Fang and two independent non-executive Directors, namely Mr. Yang Chun Bao and Mr. Zhang Cheng Ying.

The Audit Committee has reviewed the Group’s unaudited results for the nine months ended 30 September 2014 and has provided advice and comments thereon.

By order of the Board
Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.
Zhou Jin Hui
Chairman

Hong Kong, 10 November 2014

As at the date of this announcement, the executive Directors are Mr. Zhou Jin Hui (Chairman), Mr. Shi Hui Xing and Mr. Shen Jian Zhong (Chief Executive Officer); the non-executive Directors are Ms. Chai Xiao Fang and Mr. Zhou Guo Ping; and the independent non-executive Directors are Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying.