



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

上海青浦消防器材股份有限公司

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

(Stock Code: 8115)

THIRD QUARTERLY REPORT 2016

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Jin Hui
Mr. Shi Hui Xing
Mr. Zhou Guo Ping

Independent Non-Executive Directors

Mr. Wang Guo Zhong
Mr. Yang Chun Bao
Mr. Song Zi Zhang

AUDIT COMMITTEE

Mr. Song Zi Zhang
Mr. Yang Chun Bao
Mr. Wang Guo Zhong

AUTHORISED REPRESENTATIVE

Mr. Chan Chi Wai Benny
Mr. Shi Hui Xing

COMPANY SECRETARY

Mr. Chan Chi Wai Benny

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

QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company” and together with its subsidiaries, collectively the “Group”) is pleased to present the unaudited condensed consolidated statement of comprehensive income of the Group for the nine months ended 30 September 2016 together with its unaudited comparative figures for the corresponding period in 2015, as follows:

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	3	23,852	15,387	63,616	55,332
Cost of sales		(19,238)	(11,644)	(50,410)	(42,846)
Gross profit		4,614	3,743	13,206	12,486
Other income and gains	3	573	215	1,109	1,319
Selling and distribution expenses		(615)	(840)	(2,259)	(2,335)
Administrative expenses		(3,615)	(2,913)	(11,577)	(10,314)
Finance cost		(140)	–	(277)	–
Profit before tax		817	205	202	1,156
Income tax expense	4	(187)	(254)	(645)	(1,103)
Profit/(loss) for the period and total comprehensive income/(loss) for the period		630	(49)	(443)	53
Attributable to:					
Owners of the Company		505	(340)	(457)	515
Non-controlling interests		125	291	14	(462)
		630	(49)	(443)	53
Earnings/(loss) per share attributable to ordinary equity holders of the company (RMB)					
— Basic (cents)	5	0.27	(0.18)	(0.24)	0.27
— Diluted (cents)		0.27	(0.18)	(0.24)	0.27

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;
- marine fire-fighting equipment installation and inspection;
- trading of sanitary-ware and other products; and
- sales of aquarium products.

Installation and inspection of marine fire-fighting equipment business was commenced during the year through an acquisition of a subsidiary.

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. 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 unaudited condensed financial statements have been prepared under the historical convention, except for investment properties which are measured at fair value.

The condensed financial statements for the nine months ended 30 September 2016 are unaudited, but have been reviewed by the audit committee of the Company.

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 2015.

3. TURNOVER, OTHER INCOME AND GAINS

Revenue 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, trading of iron casted grooved couplings, sale of aquarium products, commission income from trading of sanitary-ware and other products and marine fire-fighting equipment installation and inspection, 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 Three months ended 30 September		Unaudited Nine months ended 30 September	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue				
Sales of pressure vessels	18,204	12,584	41,237	39,455
Inspection service rendered	2,386	2,771	8,092	8,107
Trading of sanitary-ware and other products	–	–	–	5,880
Commission income on trading of sanitary-ware and other products	–	32	4,799	1,890
Sales of aquarium products	1,471	–	3,919	–
Sales of marine fire-fighting equipment and inspection fees	1,791	–	5,569	–
	<u>23,852</u>	<u>15,387</u>	<u>63,616</u>	<u>55,332</u>
Other income and gains				
Interest income	18	5	104	141
Sundry income	–	–	–	25
Gross rental income	273	200	698	932
Sales of scraps	282	10	307	221
	<u>573</u>	<u>215</u>	<u>1,109</u>	<u>1,319</u>
Total revenue, other income and gains	<u>24,425</u>	<u>15,602</u>	<u>64,725</u>	<u>56,651</u>

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 2015: 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 2016 and 2015.

Under the Corporate Income Tax Law, the CIT rate applicable to small-scale enterprises with low profitability that meet certain conditions shall be reduced to 20%. One of the Company's subsidiaries has been designated as a small-scale enterprise. Pursuant to the notice of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, the CIT rate is calculated at a rate of 20% on the 50% assessable profits generated by this subsidiary for the period ended 30 September 2016.

Another subsidiary of the Group had been designated as a small-scale enterprise and was subject to the concessionary tax rate of 1%, i.e. at a rate of 25% on 4% of its revenue, for the period ended 30 September 2016.

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax — PRC				
Provision for the period	187	254	645	1,103

5. EARNINGS/(LOSS) 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 2016 is based on the loss attributable to equity holders of the Company of approximately RMB457,000 (nine months ended 30 September 2015: profit of approximately RMB515,000), and on the number of 187,430,000 ordinary shares (30 September 2015: 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 2016 and 2015 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 2016 (nine months ended 30 September 2015: Nil).

7. EQUITY

Attributable to owners of the Company										
	Issued capital	Share premium	Capital reserve	Statutory reserve fund	Discretionary common reserve fund	Asset revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
<i>Nine months ended 30 September 2016</i>										
As at 1 January 2016	18,743	10,910	43,655	6,443	1,500	11,299	(7,474)	85,076	(378)	84,698
Profit/(loss) for the period and total comprehensive income/(loss) for the period	-	-	-	-	-	-	(457)	(457)	14	(443)
As at 30 September 2016	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>6,443</u>	<u>1,500</u>	<u>11,299</u>	<u>(7,931)</u>	<u>84,619</u>	<u>(364)</u>	<u>84,255</u>
<i>Nine months ended 30 September 2015</i>										
As at 1 January 2015	18,743	10,910	43,655	6,238	1,500	11,299	(6,199)	86,146	(1,645)	84,501
Profit/(loss) for the period and total comprehensive income/(loss) for the period	-	-	-	-	-	-	515	515	(462)	53
As at 30 September 2015	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>6,238</u>	<u>1,500</u>	<u>11,299</u>	<u>(5,684)</u>	<u>86,661</u>	<u>(2,107)</u>	<u>84,554</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 Three months ended 30 September 2016		Unaudited Nine months ended 30 September 2016	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods				
Shanghai Petro-Chemical Fire-fighting Engineering Company Limited [#]	198	249	315	386
Shanghai Lianhu Fire-fighting Equipment Company Limited [#]	135	718	239	815
	<u>333</u>	<u>967</u>	<u>554</u>	<u>1,201</u>
	Unaudited Three months ended 30 September 2016	Unaudited Three months ended 30 September 2015	Unaudited Nine months ended 30 September 2016	Unaudited Nine months ended 30 September 2015
	RMB'000	RMB'000	RMB'000	RMB'000
Services income				
Shanghai Petro-Chemical Fire-fighting Engineering Company Limited [#]	-	-	-	34
	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>

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

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

For the nine months ended 30 September 2016, the Group recorded a turnover of approximately RMB63,616,000 (nine months ended 30 September 2015: RMB55,332,000), representing an increase of approximately 15% over the corresponding period of last year and is mainly attributed to the sales of aquarium products and the acquisition of marine fire-fighting equipment and installation business which contributed turnover of approximately RMB4,748,000 and RMB5,569,000, respectively, for the nine months ended 30 September 2016. The marine fire-fighting and aquarium segments were acquired and incorporated by the Group in February 2016 and September 2015 respectively.

Gross profit

For the nine months ended 30 September 2016, the Group recorded overall gross profit of approximately RMB13,206,000 (nine months ended 30 September 2015: RMB12,486,000), representing a gross profit ratio of 21% comparing to 23% for the corresponding period of last year. The decrease was mainly attributed to price competition in sales of pressure vessels.

Other income and gains

Other income and gains for the nine months ended 30 September 2016 decreased by approximately RMB210,000 from RMB1,319,000 for the nine months ended 30 September 2015 to approximately RMB1,109,000. This is mainly due to decrease in gross rental income.

Selling and distribution expenses

For the nine months ended 30 September 2016, the Group's selling and distribution expenses decreased by approximately RMB76,000 from RMB2,335,000, representing a decrease of approximately 3% over the corresponding period of last year, mainly because of decrease in sales of pressure vessels.

Administrative expenses

For the nine months ended 30 September 2016, the Group's administrative expenses amounted to approximately RMB11,577,000 (nine months ended 30 September 2015: RMB10,314,000), representing an increase of approximately 12% over the corresponding period of last year. This is mainly attributable to increase in legal and professional fees.

Finance costs

Finance costs of approximately RMB277,000 was recorded for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

Loss for the period

For the nine months ended 30 September 2016, the Group recorded loss for the period of approximately RMB443,000 (nine months ended 30 September 2015: profit of approximately RMB53,000), representing a turn from a profit to a loss, which was primary attributable to customers stop ordering or ordering less and increase in administration cost.

Income tax

The effective tax rate of the Group is 319% for the nine months ended 30 September 2016 (nine months ended 30 September 2015 : 95%). It is due to the loss in certain subsidiaries, which are not allowed to offset assessable profits arising from other subsidiaries of the Group.

Non-controlling interests

For the nine months ended 30 September 2016, profit for the period attributable to non-controlling interests are approximately RMB14,000 (nine months ended 30 September 2015: loss of approximately RMB462,000).

PROSPECT

The Company's fire extinguisher products cover three categories, carbon dioxide, water-based and dry powder. The wide product range offered by the Company can meet the diversified needs of the customers. In addition, the Company's fire extinguishers for non-marine use are granted the Certificate for Product Type Approval by the CCCF and its fire extinguishers for marine use are granted the Certificates of Type Approval by the China Classification Society, Shanghai Branch ("CCS"). The Company's pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the USA and the European Union.

In February 2016, the Company had acquired 上海安航海上消防設備有限公司 (Shanghai An Hang Marine Fire-Fighting Equipment Co., Ltd.*) ("Shanghai An Hang") (the "Acquisition"). Shanghai An Hang is one of the few marine fire-fighting equipment installation companies that are licensed and approved with certificates to operate in Shanghai, the PRC. It is a legal requirement in Shanghai, the PRC, that installation of marine fire-fighting equipment and system must be approved by 中國船級社 (China Certification Society*) and 中國漁業船舶檢驗局 (Register of Fishing Vessel of the PRC*). In addition, all marine fire-fighting equipment and system that had been installed are required to undergo annual inspection by an approved company with proper certification. The Acquisition has enabled the Company to extend its current business from manufacturing of fire-fighting equipment products, fire-fighting testing and trading into other fire-fighting related business. The Company can also share the customer base of Shanghai An Hang aiming at selling more fire-fighting products in the future.

* For identification purpose only

With the economic uncertainties continue to grow in China in 2016, the Company will continue to improve the profitability of the Group by increasing the operation efficiency, controlling production costs and reducing the overhead expenses.

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 the competitive edge. The Company will continue to develop new market of higher-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, sale of fire-fighting equipment and relevant business service provider in the PRC and overseas. The Group is also seeking for opportunity to further reduce overhead expenses and maximize production efficiency.

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

As at 30 September 2016, 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:

- 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 2016, 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 2016, 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 ("Liancheng") holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Liancheng is owned as to 80% by Hengtai Real Estate, 20% by Mr. Zhou Jin Hui.

3. The board of directors of the Company has been notified that, an aggregate of 131,870,000 domestic shares of the Company (the “Pledged Shares”) held by Liancheng have been pledged on 20 January 2016 in favour of an independent third party (the “Lender”) as a security for a loan amount of RMB199,000,000 provided by the Lender to Liancheng. Relevant shares pledge registration procedures have been completed with China Securities Depository and Clearing Corporation Limited. As of 20 January 2016 and the date of this report, the Pledged Shares represent approximately 70.36% and 100% of the issued share capital and domestic shares of the Company, respectively.

Save as disclosed above, the Company has not been notified of any other person had relevant interests representing 5 percent or more in the issued shares capital of the Company as at 30 September 2016.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN CONTRACTS

To the best knowledge of the Board, save as disclosed in note 8 of this report, 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 or supervisors of the Company had a material interest, whether directly or indirectly, subsisted at 30 September 2016 or at any time during the nine months ended 30 September 2016.

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

During the nine months ended 30 September 2016, the Company did not purchase, sell or redeem any of the Company’s listed securities.

CORPORATE GOVERNANCE

(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. Pursuant to Rule 18.44(2) and Appendix 15 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 nine months ended 30 September 2016.

(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 established an audit committee (the "Audit Committee") 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 three independent non-executive directors of the Company, namely Mr. Yang Chun Bao, Mr. Wang Guo Zhong and Mr. Song Zi Zhang.

The Audit Committee has reviewed the Group's unaudited results for the nine months ended 30 September 2016 and has provided advice and comments thereon.