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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 announcement, 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 announcement 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 announcement misleading.

* *For the identification purpose only*

The Board hereby presents the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
Revenue	*4*	**72,663**	73,500
Cost of sales and services	*5*	**(55,084)**	(53,701)
Gross profit		**17,579**	19,799
Other income and gains	*4*	**4,638**	3,667
Selling and distribution expenses		**(2,944)**	(2,873)
Administrative expenses		**(17,194)**	(18,908)
Finance cost	*6*	**–**	(464)
Profit before tax	*5*	**2,079**	1,221
Income tax expense	*7*	**(1,050)**	(975)
Profit for the year		**1,029**	246
Attributable to:			
Owners of the Company		**(230)**	317
Non-controlling interests		**1,259**	(71)
		1,029	246
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic (RMB cents)		**(0.12)**	0.17
Diluted (RMB cents)		**(0.12)**	0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,029**	246
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,029**	246
Attributable to:		
Owners of the Company	**(230)**	317
Non-controlling interests	**1,259**	(71)
	1,029	246

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**13,915**	15,288
Investment properties		**23,270**	23,270
Prepaid land lease payments		**109**	112
Goodwill		**4,211**	4,211
Intangible assets		**1,395**	1,575
Total non-current assets		**42,900**	44,456
CURRENT ASSETS			
Inventories		**12,151**	12,641
Trade and bills receivables	*10*	**28,600**	43,333
Prepayments, deposits and other receivables		**4,014**	8,029
Due from related companies		**997**	847
Restricted cash balance	*13*	**1,284**	–
Cash and cash equivalents		**23,358**	17,512
Total current assets		**70,404**	82,362
CURRENT LIABILITIES			
Trade payables	*11*	**10,247**	12,449
Other payables and accruals		**7,010**	11,143
Due to the immediate holding company		**906**	906
Due to non-controlling interests		**1,451**	1,451
Due to a related company		**2,798**	2,798
Tax payables		**292**	504
Total current liabilities		**22,704**	29,251
NET CURRENT ASSETS		**47,700**	53,111
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,600**	97,567

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,600**	97,567
NON-CURRENT LIABILITIES			
Loan from the immediate holding company	*12*	**–**	7,800
Deferred tax liabilities		**5,393**	5,393
Total non-current liabilities		**5,393**	13,193
Net assets		**85,207**	84,374
EQUITY			
Equity attributable to owners of the Company			
Paid up capital		**18,743**	18,743
Reserves		**66,420**	66,650
		85,163	85,393
Non-controlling interests		**44**	(1,019)
Total equity		**85,207**	84,374

NOTES:

1. CORPORATE AND GROUP INFORMATION

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") was transformed into a joint stock limited liability company in the People's Republic of China (the "PRC") 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.

The Company's H shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

- manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);
- provision of fire technology inspection services;
- manufacture and sales of iron casted grooved couplings;
- marine fire-fighting equipment installation and inspection;
- trading of sanitary-ware and other products; and
- sales of aquarium 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 BASIS OF PREPARATION

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

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 40	Transfers of Investment Property
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

Other than as explained below regarding the impact of Amendments to IAS 40 and certain amendments included in the Annual Improvement 2012–2014 Cycle, the adoption of the above revised standards has had no significant financial effect on these consolidated financial statements.

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

The Group has performed a detailed assessment on the impact of these standards, amendments and interpretations on the consolidated financial statements of the Group. The adoption of the above is not expected to have a material impact on the consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

(iv) Trading segment — trading of sanitary-ware and other products and commission income;

(v) Aquarium products segment — sale of aquarium products;

(vi) Marine fire-fighting segment — marine fire-fighting equipment installation and inspection; and

(vii) Property investment segment — invests in office building and industrial properties for its rental income potential.

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

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

For the year ended 31 December 2017

	Fire fighting equipment *RMB'000*	Inspection services *RMB'000*	Grooved couplings *RMB'000*	Trading *RMB'000*	Aquarium products *RMB'000*	Marine fire-fighting *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Segment revenue:								
Sales/services provided to external customers	41,642	12,397	–	528	8,805	9,291	–	72,663
Gross rental income	–	–	–	–	–	–	1,284	1,284
	41,642	12,397	–	528	8,805	9,291	1,284	73,947
Segments results	(2,686)	2,034	–	528	2,084	(431)	1,284	2,813
Interest income								48
Income from investment products								36
Other income								205
Corporate and unallocated expenses								(1,023)
Profit before tax								2,079
Segment assets	53,301	7,688	–	12,428	6,674	9,943	23,270	113,304
Unallocated assets								–
Total assets								113,304
Segment liabilities	10,725	2,008	–	–	591	3,762	–	17,086
Unallocated liabilities								11,011
Total liabilities								28,097
Capital expenditure*	279	11	–	–	80	–	–	370
Write down of Inventories to net realisable value	–	–	–	–	64	–	–	64
Reversal of write down of inventories to net realisable value	(889)	–	–	–	–	–	–	(889)
Reversal of impairment of trade and bills receivables	(118)	–	–	–	–	–	–	(118)
Depreciation and amortisation	966	199	–	–	233	–	–	1,398

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

For the year ended 31 December 2016

	Fire fighting equipment *RMB'000*	Inspection services *RMB'000*	Grooved couplings *RMB'000*	Trading *RMB'000*	Aquarium products *RMB'000*	Marine fire-fighting *RMB'000*	Property investment *RMB'000*	Total *RMB'000*
Segment revenue:								
Sales/services provided to external customers	46,555	13,128	–	1,219	5,768	6,830	–	73,500
Gross rental income	–	–	–	–	–	–	2,166	2,166
	46,555	13,128	–	1,219	5,768	6,830	2,166	75,666
Segments results	(5,218)	3,020	–	1,219	336	314	2,806	2,477
Interest income								30
Income from investment products								235
Other income								251
Corporate and unallocated expenses								(1,308)
Finance costs								(464)
Profit before tax								1,221
Segment assets	48,076	8,805	–	30,290	4,908	11,469	23,270	126,818
Unallocated assets								–
Total assets								126,818
Segment liabilities	13,588	2,097	–	1,885	538	5,313	–	23,421
Unallocated liabilities								19,023
Total liabilities								42,444
Capital expenditure *	539	11	–	–	270	–	–	820
Impairment of trade and bills receivables	–	–	–	–	–	460	–	460
Write down of inventories net realisable value	524	–	–	–	–	–	–	524
Reversal of impairment of trade and bills receivables	(47)	–	–	–	–	–	–	(47)
Depreciation and amortisation	1,104	234	–	–	186	–	–	1,524

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

Geographical information

(a) Revenue from external customers

	2017 *RMB'000*	2016 *RMB'000*
PRC	**65,573**	65,204
United States of America	**1,823**	3,064
European Union	**5,267**	5,221
Other countries	**–**	11
	72,663	73,500

(b) Non-current assets

Non-current assets are principally located in the PRC.

Information about major customers

For the years ended 31 December 2017 and 2016, there was no revenue from sales to any single external customer that contributed over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of sales of goods, provision of fire technology inspection services, commission income, and provision of marine fire-fighting equipment installation and inspection services, net of business tax, value-added tax, trade discounts and returns during the year.

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sales of pressure vessels	**41,642**	46,555
Inspection service fees	**11,027**	12,080
Sales of aquarium products	**8,805**	5,768
Commission income	**528**	1,219
Sales of marine fire-fighting equipment	**9,291**	6,830
Marine fire-fighting equipment inspection service fees	**1,370**	1,048
Total revenue	**72,663**	73,500
Other income and gains		
Interest income	**48**	30
Income from investment products	**36**	235
Gross rental income	**1,284**	2,166
Sales of scraps	**379**	263
Fair value gains on investment properties	**–**	640
Exchange gain, net	**–**	7
Reversal of impairment of trade and bills receivables	**118**	47
Reversal of write down of inventories to net realisable value	**889**	–
Reversal of over-provision on pension scheme contributions	**305**	–
Gain on disposal of items of property, plant and equipment	**2**	–
Government grant	**60**	28
Incentive for demolition of leased assets	**1,135**	–
Tax rebate	**177**	144
Others	**205**	107
Total other income and gains	**4,638**	3,667
Total revenue, other income and gains	**77,301**	77,167

5. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**46,005**	44,811
Cost of services provided	**9,079**	8,890
	55,084	53,701
Amortisation of prepaid land lease payments	**3**	3
Amortisation of intangible assets	**180**	180
Depreciation of property, plant and equipment	**1,215**	1,341
Minimum lease payments under operating leases:		
Land and buildings	**511**	1,251
Auditors' remuneration:		
Assurance services	**916**	875
Other services	**13**	101
	929	976
Write off of items of property, plant and equipment	**526**	–
Impairment of trade and bills receivables	**–**	460
Write down of inventories to net realisable value	**64**	524
Employee benefits expenses (including directors' and supervisors' remuneration):		
Wages and salaries	**13,118**	13,123
Pension scheme contributions	**3,379**	3,413
	16,497	16,536
Exchange loss/(gain), net	**42**	(7)
Gain on disposal of items of property, plant and equipment	**(2)**	–
Direct operating expenses arising from rental-earning investment properties	**64**	108
Reversal of impairment of trade and bills receivables	**(118)**	(47)
Reversal of write down of inventories to net realisable value	**(889)**	–
Reversal of over-provision on pension scheme contributions	**(305)**	–
Fair value gains on investment properties	**–**	(640)
Interest income	**(48)**	(30)
Income from investment products	**(36)**	(235)

* The amortisation of patents and trademark for the year are included in "administrative expenses" in the consolidated statement of profit or loss.

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loan	**–**	464

7. INCOME TAX

No provision for Hong Kong profits tax have been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2017 (2016: Nil).

Under the Corporate Income Tax Law, the corporate income tax ("CIT") rate is calculated at a rate of 25% (2016: 25%) on the Group's estimated assessable profits for the year ended 31 December 2017.

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%. Two (2016: two) of the Company's subsidiaries and a branch of a subsidiary have 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, one subsidiary and the branch of a subsidiary, 上海荻野生物科技有限公司 (literally translated as "Shanghai Ogino Biotechnology Co., Limited"), were subject to the concessionary CIT rates of 10% of assessable profits (i.e. 20% on the 50% assessable profits), while another subsidiary was 1% of its revenue (i.e. at a rate of 25% on 4% of its revenue), for the year ended 31 December 2017.

	2017	2016
	RMB'000	*RMB'000*
Current — the PRC:		
Charge for the year	**1,008**	999
Under/(over)-provision in prior year	**42**	(184)
	1,050	815
Deferred tax	**–**	160
Total tax charge for the year	**1,050**	975

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the loss attributable to ordinary equity holders of the Company of RMB230,000 (2016: profit of RMB317,000) and the number of ordinary shares of 187,430,000 (2016: 187,430,000) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

9. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

10. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**29,263**	41,990
Less: Impairment	**(1,575)**	(1,978)
	27,688	40,012
Bills receivables	**912**	3,321
	28,600	43,333

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to half year for major customers. The Group's trading terms for marine fire-fighting equipment installation and inspection business, which generally has credit terms of two years, due to the long production period of vessel. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**5,477**	8,245
1 to 2 months	**4,947**	5,622
2 to 3 months	**2,223**	2,945
3 to 6 months	**4,050**	9,039
6 to 12 months	**2,734**	13,960
1 to 2 years	**9,169**	2,835
Over 2 years	**–**	687
	28,600	43,333

11. TRADE PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**2,490**	4,561
1 to 2 months	**2,442**	1,317
2 to 3 months	**788**	555
Over 3 months	**4,527**	6,016
	10,247	12,449

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

12. LOAN FROM THE IMMEDIATE HOLDING COMPANY

On 3 December 2010, Zhejiang Hengtai (the ultimate controlling shareholder) and Liancheng (the immediate holding company) have undertaken to collectively provide to the Company with an unsecured interest-free shareholders' loan facility in the sum of not exceeding RMB50 million (the "Facility") for a term of five years from 30 May 2010, which was extended for another two years. On 25 December 2017, Liancheng agreed to further extend the term of the Facility to 30 May 2019. As at 31 December 2017, the loan drawn-down by the Company from Liancheng under the Facility was fully repaid (2016: RMB7,800,000).

13. PROPERTY, PLANT AND EQUIPMENT AND RESTRICTED CASH BALANCE

Certain of the Group's plant and machineries (the "Plant") were situated on certain land and buildings (the "Leased Property"), which was previously owned by the former immediate holding company, 上海華盛企業（集團）有限公司 (literally translated as "Shanghai Huasheng Enterprises (Group) Co., Ltd. ("Huasheng")), which had granted a lease (the "Original Tenancy") to use to the Company in October 2008. The Leased Property had been pledged to secure bank loans granted by a bank (the "Bank") to Huasheng in March 2005. In May 2012, the Bank put the Leased Property into auction (the "Auction"). The Leased Property was acquired by the current landlord (the "Current Landlord", an independent third party) on 9 May 2013.

In 2015, the Current Landlord filed a suit (the "First Legal Case") in the Qingpu District People's Court ("青浦區人民法院") (the "Court") against the Company in respect of (i) requesting the Company to move out from the Leased Property; and (ii) paying rental expenses for the period from 9 May 2013 to 8 May 2015 as the Current Landlord is of the view that the Original Tenancy is not legally valid because the Original Tenancy was entered into between Huasheng and the Company without the consent of the Bank at the time or subsequently rectified by the Current Landlord. In 2016, the Court decided that (i) the Company had to move out from the Leased Property within 10 days of the Civil Judgment; and (ii) the Company had to pay the related rental expenses for the period from 9 May 2013 to the date moved out from the Leased Property. The Company received an enforced execution of court decision notice and moved out from the Leased Property on 11 July 2017 as well as settled the rent up to 31 December 2016. As at 31 December 2017, approximately RMB1,284,000 was frozen by the court for the remaining rental expenses.

In October 2016, the Company filed a suit (the "Second Legal Case") with the Court against the Current Landlord for recovering the construction costs of the underground facilities and the buildings (the "Counter-claimed Constructions") as the Company is of the view that (i) the Counter-claimed Constructions were constructed by the Company with the approval of Huasheng and therefore belonged to the Company; and (ii) the Counter-claimed Constructions had been excluded from the First Legal Case and the Auction. However, the valuer appointed by the Court cannot assess the present status of the Counter-claimed Constructions and the Second Legal Case was withdrawn by the Company. After collected more evidences, the Company filed a suit (the "Third Legal Case") with the Court against the Current Landlord for the Counter-claimed Constructions again with the same view of the Second Legal Case. The Third Legal Case is still in progress as at 31 December 2017 and the date of approving these consolidated financial statements.

In the opinion of the directors of the Company, there was no significant financial impact on the Group as (i) the related rental expenses amounting to RMB254,000 for the period from 1 January 2017 to 11 July 2017 (the date moved out from the Leased Property) is insignificant to the Group; and (ii) the Group aims to reach a settlement with the Current Landlord and transfers the Counter-claimed Constructions to them.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2017, the Group recorded a turnover of approximately RMB72,663,000 (year ended 31 December 2016: RMB73,500,000), representing a decrease of approximately 1% over last year because decrease in fire-fighting equipment segment was offset by increase in aquarium products segment during the year.

GROSS PROFIT

For the year ended 31 December 2017, the Group recorded overall gross profit of approximately RMB17,579,000 (year ended 31 December 2016: RMB19,799,000), representing a gross profit ratio of 24% comparing to 27% for the year ended 31 December 2016. The decrease was mainly due to price competition on sale of pressure cylinders during the year.

OTHER INCOME AND GAINS

Other income and gains for the year ended 31 December 2017 increased by approximately RMB971,000 from RMB3,667,000 for the year ended 31 December 2016 to approximately RMB4,638,000. This is mainly due to the incentive for demolition of leased assets which generated rental income before demolition and reversal of write down of inventories to net realisable value.

SELLING AND DISTRIBUTION COSTS

For the year ended 31 December 2017, the Group's selling and distribution costs increased to approximately RMB2,944,000 from RMB2,873,000, representing an increase of 2% over last year. This is mainly due to the increase in transportation cost on sale of pressure cylinders to new customers located in other provinces.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2017, the Group's administrative expenses amounted to approximately RMB17,194,000 (year ended 31 December 2016: approximately RMB18,908,000), representing a decrease of 9%. The decrease is mainly due to rental expenses of the leased property regarding to the legal case (details refer to section "Litigation" below) accrued in prior year.

FINANCE COST

No finance cost was recorded for the year ended 31 December 2017 (year ended 31 December 2016: RMB464,000) because bank loans were fully repaid in 2016.

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 year (2016: Nil). Under the Corporate Income Tax Law, the corporate income tax ("CIT") rate is calculated at a rate of 25% (2016: 25%) on the Group's estimated assessable profits for the year ended 31 December 2017.

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%. Two (2016: two) of the Company's subsidiaries and a branch of a subsidiary have 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, one subsidiary and the branch of a subsidiary, 上海荻野生物科技有限公司 (literally as "Shanghai Ogino Biotechnology Co., Limited") were subject to the concessionary CIT rates of 10% of assessable profits (i.e. 20% on the 50% assessable profits), while another subsidiary was 1% of its revenue (i.e. at a rate of 25% on 4% of its revenue), for the year ended 31 December 2017.

The effective tax rate of the Group is 51% for the year ended 31 December 2017 (year ended 31 December 2016: 80%). 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 year ended 31 December 2017, profit for the year attributable to non-controlling interests is approximately RMB1,259,000 (year ended 31 December 2016: loss of RMB71,000). It is due to the profits in aquarium segment which is shared by a 55.9% non-controlling interests.

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

For the year ended 31 December 2017, the Group recorded loss for the year attributable to the owners of the Company of approximately RMB230,000 (year ended 31 December 2016: profit of RMB317,000). The loss was primary attributable to the loss of fire-fighting equipment segment during the year.

NET CURRENT ASSETS

As at 31 December 2017, the Group had current assets of approximately RMB70,404,000, based on which, the current ratio was 3.1 (31 December 2016: 2.8). The current liabilities decreased from RMB29,251,000 as at 31 December 2016 to RMB22,704,000 as at 31 December 2017. Current assets as at 31 December 2017 mainly comprised inventories of approximately RMB12,151,000 (31 December 2016: RMB12,641,000), trade and bills receivables of approximately RMB28,600,000 (31 December 2016: RMB43,333,000), prepayments, deposits and other receivables of approximately RMB4,014,000 (31 December 2016: RMB8,029,000) and cash and bank deposits of approximately RMB23,358,000 (31 December 2016: RMB17,512,000). The inventories turnover days for the year is 81, which is stable comparing to 86 days for the year ended 31 December 2016. Trade and bills receivables decreased by 34% because significant portion of a receivable secured by an asset from a major debtor was collected during the year. Current liabilities mainly comprised trade payables of approximately RMB10,247,000 (31 December 2016: RMB12,449,000), other payables and accrued charges of approximately RMB7,010,000 (31 December 2016: RMB11,143,000).

GEARING RATIO

The Group's gearing ratio as at 31 December 2017 was 33.0% (31 December 2016: 50.3%), which was expressed as a percentage of the total liabilities divided by the total equity. The decrease was mainly attributable to decrease in loan from immediate holding Company.

LITIGATION

Please refer the details of litigation to note 13 of the announcement.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had net assets of approximately RMB85,207,000 (31 December 2016: RMB84,374,000). The Group's operations are financed principally by internal sources, shareholders' borrowings and shareholders' equity.

PROSPECT

On 10 October 2017, the Fire Department of the Ministry of Public Security of China issued the Guiding Opinion on Advancing of the Building of "Smart Fire-Fighting" (Gong Xiao [2017] No. 297). According to the Guiding Opinion, by the end of 2018, the Internet of Things, remote monitoring systems that connect fire-fighting equipment, shall be in place on all cities at prefecture level or above. For prefecture-level cities or above that have systems connecting the Internet of Things for fire-fighting equipment, more than 70% units which have high fire hazards and high-rises which are equipped with automatic fire equipment should be connected to the system by the end of 2017. By the end of 2018, all such units and high rises should be connected to the system. 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. The new Guiding Opinion will be a driver for the Group's five extinguisher products. 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.

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. With the economic industry requirements expected to tighten in China, the Company will continue to improve the profitability of the Group by increasing the operation efficiency and seeking for new business opportunities in fire-fighting industry.

Pursuant to the Letter on Confirmation of Land Redevelopment Proposal of Urban Villages located at Xin Lian Village and Mao Jia Jiao Village, Zhonggu Town, Qingpu District, Shanghai (《上海城鄉建設和管理委員會關於確認青浦區重固鎮新聯村、毛家角村 "城中村"改造地塊實施方案的函》) (the "Land Zhonggu Redevelopment Proposal") issued by the Shanghai Urban-Rural Construction and Management Commission and based on the discussion between the management and the relevant government officials, it has been confirmed that the Zhonggu Factories had been included in the Zhonggu Land Redevelopment Proposal. The government and the Group have not yet agreed on any special schedule or compensation proposal for resumption of the Zhonggu Factories. The Zhonggu Factories are currently leased to a third party.

We have not received any information from the government since we made the announcement on 29 January 2016, in relation to the land resumption.

During the year, the Company's subsidiary, Shanghai Yuanfeng Pressure Cylinder Co. Ltd. (上海元奉高壓容氣有限公司) ("Yuanfeng"), received a notice from Shanghai Fengxian District Nanqiao Town Collection Management Office (《奉賢區南橋鎮徵收管理辦公室》), certain leased land and buildings are included in the land redevelopment plan. It is confirmed that the factory leased by Yuanfeng is included in the land redevelopment plan. However, the government has not yet formulated any specific schedule or compensation proposal for resumption. We are planning to move the production in Yuanfeng to its fellow subsidiaries to make sure there is no material impact on the daily operations of the Group.

EMPLOYEES

As at 31 December 2017, the Group had 232 employees (2016: 247 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.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

CHAIRMAN AND GENERAL MANAGER

During the year 2017, Mr. Zhou Jin Hui and Mr. Shi Hui Xing 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 (equivalent to a chief executive) is in charge of daily management. The Articles of Association of the Company set out the respective functions of the chairman and the general manager in detail.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee"), as at the date of this announcement, comprises three members, all being independent non-executive Directors. The chairperson of the Audit Committee is Mr. Yang Chun Bao and the other members are Mr. Song Zi Zhang and Mr. Wang Guo Zhong. The primary duties of the Audit Committee are mainly (i) reviewing the Group's consolidated financial statement and providing material advice in respect of the financial reporting; (ii) making recommendations to the Board on appointment, re-appointment and removal of external auditors as well as approval on their remuneration and terms of engagement; (iii) overseeing financial reporting system, risk management and internal control systems of the Company.

The Audit Committee has reviewed the Company's final results for the year ended 31 December 2017.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("Ascenda Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2017. The work performed by Ascenda Cachet in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ascenda Cachet on the preliminary announcement.

ANNUAL REPORT

The annual report of the Group for the year ended 31 December 2017 will be despatched to its shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited (www. hkexnews.hk) and the Company (www.shanghaiqingpu.com) as soon as practicable.

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

Shanghai, 23 March 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhou Jin Hui, Mr. Shi Hui Xing and Mr. Zhou Guo Ping; and three independent non-executive Directors, namely, Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Song Zi Zhang.