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 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Shanghai Qingpu Fire-Fighting Equipment Co. Ltd (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. 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 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Revenue	*4*	**78,016**	69,650
Cost of sales and services	*5*	**(62,288)**	(52,905)
Gross profit		**15,728**	16,745
Other income and gains	*4*	**2,366**	1,191
Selling and distribution expenses		**(3,081)**	(2,858)
Administrative expenses		**(21,542)**	(16,173)
Finance costs	*6*	**(80)**	–
Impairment of trade and bills receivables, net	*12*	**(3,069)**	–
Write off of inventories	*5*	**(1,699)**	(34)
Loss before tax	*5*	**(11,377)**	(1,129)
Income tax expense	*7*	**(418)**	(1,217)
Loss for the year		**(11,795)**	(2,346)
Attributable to:			
Owners of the Company		**(10,499)**	(3,394)
Non-controlling interests		**(1,296)**	1,048
		(11,795)	(2,346)
LOSS PER SHARE	*8*		
Basic *(RMB cents)*		**(5.60)**	(1.81)
Diluted *(RMB cents)*		**(5.60)**	(1.81)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(11,795)**	(2,346)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(11,795)**	(2,346)
Attributable to:		
Owners of the Company	**(10,499)**	(3,394)
Non-controlling interests	**(1,296)**	1,048
	(11,795)	(2,346)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**9,603**	13,059
Right-of-use assets		**1,875**	–
Investment properties	11	**23,570**	23,510
Prepaid land lease payments		**–**	106
Goodwill		**4,211**	4,211
Intangible assets		**1,035**	1,215
Total non-current assets		**40,294**	42,101
CURRENT ASSETS			
Inventories		**7,954**	13,889
Trade and bills receivables	12	**15,769**	17,471
Prepayments, other receivables and other assets		**4,312**	3,996
Contract assets		**74**	137
Due from related companies		**776**	783
Cash and cash equivalents		**26,505**	29,668
Total current assets		**55,390**	65,944
CURRENT LIABILITIES			
Trade payables	13	**6,892**	8,208
Other payables and accruals		**4,485**	4,547
Contract liabilities		**1,165**	1,550
Lease liabilities		**1,172**	–
Due to the immediate holding company	14	**906**	906
Due to non-controlling interests	14	**1,451**	1,451
Due to a related company	14	**2,377**	2,798
Tax payables		**88**	271
Total current liabilities		**18,536**	19,731
NET CURRENT ASSETS		**36,854**	46,213
TOTAL ASSETS LESS CURRENT LIABILITIES		**77,148**	88,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**614**	–
Deferred tax liabilities	**5,468**	5,453
Total non-current liabilities	**6,082**	5,453
Net assets	**71,066**	82,861
EQUITY		
Equity attributable to owners of the Company		
Share capital	**18,743**	18,743
Reserves	**52,527**	63,026
	71,270	81,769
Non-controlling interests	**(204)**	1,092
Total equity	**71,066**	82,861

NOTES:

1. CORPORATE AND GROUP INFORMATION

Shanghai Qingpu Fire-Fighting Equipment Factory 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 "Company"). 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 GEM 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 trading of iron casted grooved couplings (which was terminated during the year);
- 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

The 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"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM (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.

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

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IFRS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and IFRS 28, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the new and revised IFRSs are described below:

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the short-term exemptions for leases with a lease term that ends within 12 months from the date of initial application.

As a lessee — Leases previously classified as finance leases

The Group did not have any recognised assets and liabilities at the date of initial application for leases previously classified as finance leases.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease)
	RMB'000
Assets	
Increase in right-of-use assets	2,227
Decrease in prepayments, other receivables and other assets*	(141)
Decrease in prepaid land lease payments	(110)
Increase in total assets	1,976
Liabilities	
Increase in lease liabilities	1,976
Increase in total liabilities	1,976

* The prepayment of rental expenses in 2018 were included in "prepayments, other receivables and other assets" in the consolidated statement of financial position.

In the context of the transition to IFRS 16, right-of-use assets of RMB2,227,000 and lease liabilities of RMB1,976,000 were recognised as at 1 January 2019.

The following table presents the reconciliation of lease liabilities as of 1 January 2019:

	RMB'000
Operating lease commitments as at 31 December 2018	2,570
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(10)
	2,560
Discounted operating lease commitments as at 1 January 2019	1,976
Leases liabilities as at 1 January 2019	1,976

The weighted-average incremental borrowing rate for lease liabilities initially recognised as of 1 January 2019 was approximately 6%.

The adoption of IFRS 16 has had no material impact on the consolidated statement of profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows as at 31 December 2018.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

Amendments under Annual Improvements to HKFRSs 2015–2017 Cycle

Annual Improvements to IFRSs 2015–2017 Cycle sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. Details of the amendments relevant to the preparation of the Group's consolidated financial statements are as follows:

- IAS 12 Income Taxes: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any material impact on the Group's consolidated financial statements.

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.

Amendments to IFRS 3	Definition of a Business[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 17	Insurance Contracts[2]
Amendments to IAS 1 and IAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 10 and IAS 28 (2011) are either not relevant to the preparation of the Group's consolidated financial statements or do not have any material impact on the Group's consolidated financial statements.

Further information about those other IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six 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 and marine fire-fighting equipment inspection services;

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

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

(v) Property investment segment — investment in office building and industrial properties for its rental income potential; and

(vi) Trading segment — trading of other products (including sanitary-ware) and commission income.

The principal activities of manufacture and sales of iron casted grooved couplings were terminated during the year. In the opinion of the directors of the Company, as the corresponding operating results of grooved couplings segment was not significant to the Group, the grooved couplings segment was not separately accounted for or disclosed as a discontinued operation.

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, non-lease-related finance costs and income from investment products as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amounts due to the immediate holding company, 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 2019

	Fire-fighting equipment *RMB'000*	**Inspection services** *RMB'000*	**Aquarium products** *RMB'000*	**Marine fire-fighting** *RMB'000*	**Property investment** *RMB'000*	**Trading** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 4)*:							
Sales/services provided to external customers	41,107	9,849	17,585	8,673	–	–	77,214
Gross rental income	–	–	–	–	802	–	802
	41,107	9,849	17,585	8,673	802	–	78,016
Segments results	(12,900)	1,840	2,741	362	862	(3,389)	(10,484)
Interest income							29
Income from investment products							427
Other income							216
Corporate and unallocated expenses							(1,565)
Loss before tax							(11,377)
Segment assets	38,109	10,772	12,540	10,055	24,042	166	95,684
Unallocated assets							–
Total assets							95,684
Segment liabilities	6,450	2,484	2,323	2,901	–	–	14,158
Unallocated liabilities							10,460
Total liabilities							24,618
Capital expenditure*	439	–	166	–	–	–	605
Write off of inventories	1,699	–	–	–	–	–	1,699
Impairment of trade and bills receivables, net	(320)	–	–	–	–	3,389	3,069
Depreciation and amortisation	868	321	481	–	–	–	1,670

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

For the year ended 31 December 2018

	Fire-fighting equipment *RMB'000*	Inspection services *RMB'000*	Aquarium products *RMB'000*	Marine fire-fighting *RMB'000*	Property investment *RMB'000*	Trading *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)***:**							
Sales/services provided to external customers	42,588	9,645	11,996	5,414	–	7	69,650
	42,588	9,645	11,996	5,414	–	7	69,650
Segments results	(5,586)	2,504	2,317	629	193	7	64
Interest income							37
Income from investment products							141
Other income							53
Corporate and unallocated expenses							(1,424)
Loss before tax							(1,129)
Segment assets	54,916	8,381	9,174	8,469	23,510	3,595	108,045
Unallocated assets							–
Total assets							108,045
Segment liabilities	9,860	1,137	1,262	1,876	–	–	14,135
Unallocated liabilities							11,049
Total liabilities							25,184
Capital expenditure*	98	–	176	–	–	–	274
Write off of inventories	–	–	34	–	–	–	34
Reversal of impairment of trade and bills receivables	–	–	–	(92)	–	–	(92)
Depreciation and amortisation	872	198	238	–	–	–	1,308

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

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
PRC	**63,280**	62,449
European Union	**8,799**	4,919
Other countries	**5,937**	2,282
	78,016	69,650

(b) Non-current assets

Non-current assets are principally located in the PRC.

Information about major customers

For the years ended 31 December 2019 and 2018, 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

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers:		
Sales of pressure vessels	**41,107**	42,588
Sales of aquarium products	**17,585**	11,996
Sales of marine fire-fighting equipment	**8,673**	5,414
Inspection service fees	**9,506**	9,272
Marine fire-fighting equipment inspection service fees	**343**	373
Commission income	**–**	7
	77,214	69,650
Revenue from other sources:		
Gross rental income	**802**	–
	78,016	69,650

Revenue from contracts with customers

(i) ***Disaggregate revenue information***

For the year ended 31 December 2019

Segments	Fire-fighting equipment *RMB'000*	Inspection services *RMB'000*	Aquarium products *RMB'000*	Marine fire-fighting *RMB'000*	Trading *RMB'000*	Total *RMB'000*
Type of goods or services						
Sales of goods	**41,107**	**–**	**17,585**	**8,673**	**–**	**67,365**
Inspection services	**–**	**9,849**	**–**	**–**	**–**	**9,849**
Total revenue from contracts with customers	**41,107**	**9,849**	**17,585**	**8,673**	**–**	**77,214**
Geographical markets						
PRC	**26,371**	**9,849**	**17,585**	**8,673**	**–**	**62,478**
European Union	**8,799**	**–**	**–**	**–**	**–**	**8,799**
Other countries	**5,937**	**–**	**–**	**–**	**–**	**5,937**
Total revenue from contracts with customers	**41,107**	**9,849**	**17,585**	**8,673**	**–**	**77,214**
Timing of revenue recognition						
Goods transferred at a point in time	**41,107**	**–**	**17,585**	**8,673**	**–**	**67,365**
Services transferred over time	**–**	**9,849**	**–**	**–**	**–**	**9,849**
Total revenue from contracts with customers	**41,107**	**9,849**	**17,585**	**8,673**	**–**	**77,214**
Revenue from contracts with customers						
External customers	**41,107**	**9,849**	**17,585**	**8,673**	**–**	**77,214**

For the year ended 31 December 2018

Segments	Fire-fighting equipment *RMB'000*	Inspection services *RMB'000*	Aquarium products *RMB'000*	Marine fire-fighting *RMB'000*	Trading *RMB'000*	Total *RMB'000*
Type of goods or services						
Sales of goods	42,588	–	11,996	5,414	–	59,998
Inspection services	–	9,645	–	–	–	9,645
Commission income from trading of goods	–	–	–	–	7	7
Total revenue from contracts with customers	42,588	9,645	11,996	5,414	7	69,650
Geographical markets						
PRC	35,387	9,645	11,996	5,414	7	62,449
European Union	4,919	–	–	–	–	4,919
Other countries	2,282	–	–	–	–	2,282
Total revenue from contracts with customers	42,588	9,645	11,996	5,414	7	69,650
Timing of revenue recognition						
Goods transferred at a point in time	42,588	–	11,996	5,414	7	60,005
Services transferred over time	–	9,645	–	–	–	9,645
Total revenue from contracts with customers	42,588	9,645	11,996	5,414	7	69,650
Revenue from contracts with customers						
External customers	42,588	9,645	11,996	5,414	7	69,650

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Trade deposits received in respect of sales of pressure vessels	**401**	910
Trade deposits received in respect of sales of aquarium products	**35**	2
Trade deposits received in respect of sales of marine fire-fighting equipment	**99**	1,682
	535	2,594

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of pressure vessels, marine fire-fighting equipment and aquarium products
The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within two months from delivery, except for new customers, where payment in advance is normally required. For the sale of marine fire-fighting equipment, a certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the product quality by the customers over a certain period as stipulated in the contracts. Some contracts of sales of aquarium products provide customers with a right of return which give rise to variable consideration. Variable consideration on sale of goods has had no material impact to the Group's financial performance during the year.

Fire technology inspection services and marine fire-fighting equipment inspection services
The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance.

Trading of sanitary-ware and other products
The performance obligation is satisfied upon delivery of sanitary-ware and other products.

Other income and gains

	2019 ***RMB'000***	2018 *RMB'000*
Interest income	**29**	37
Income from investment products	**427**	141
Sales of scraps	**178**	81
Fair value gains on investment properties	**60**	240
Exchange gain, net	**107**	38
Reversal of impairment of trade and bills receivables	**–**	92
Government grant	**579**	509
Write-back of other payables and amount due to a related company	**770**	–
Others	**216**	53
Total other income and gains	**2,366**	1,191

5. LOSS BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		**55,418**	46,403
Cost of services provided		**6,870**	6,502
		62,288	52,905
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)		**641**	3
Amortisation of intangible assets*		**180**	180
Depreciation of property, plant and equipment		**849**	1,125
Minimum lease payments under operating leases: land and buildings		**–**	514
Lease payments not included in the measurement of lease liabilities		**65**	–
Auditors' remuneration:			
Assurance services		**1,052**	991
Other services		**14**	13
		1,066	1,004
Write off of inventories		**1,699**	34
Impairment of trade and bills receivables	*12*	**3,389**	–
Reversal of impairment of trade and bills receivables	*12*	**(320)**	(92)
Employee benefits expenses (including directors' and supervisors' remuneration):			
Wages and salaries		**13,312**	12,850
Redundancy payment		**3,749**	–
Pension scheme contributions		**2,936**	3,367
		19,997	16,217
Exchange gain, net	*4*	**(107)**	(38)
Loss on disposal of items of property, plant and equipment		**1,533**	–
Direct operating expenses arising from rental-earning investment properties		**–**	47
Fair value gains on investment properties	*4*	**(60)**	(240)
Interest income	*4*	**(29)**	(37)
Income from investment products	*4*	**(427)**	(141)

* 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

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on lease liabilities	80	-

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the year ended 31 December 2019 (2018: Nil).

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%. Six of the Company's subsidiaries (2018: four of the Company's subsidiaries and a branch of a subsidiary) have been designated as a small-scale enterprise. The concessionary CIT rate was revised with effective from 1 January 2019, the first RMB1,000,000 of assessable profits of these subsidiaries were subject to the concessionary CIT rate of 5% of assessable profits (i.e. 20% on the 25% assessable profits) and the remaining assessable profits not over RMB3,000,000 were subject to the concessionary CIT rate of 10% of assessable profits (i.e. 20% on the 50% assessable profits).

For the year ended 31 December 2018, four subsidiaries designated as a small-scale enterprise were subject to the concessionary CIT rates of 10% of assessable profits (i.e. 20% on the 50% assessable profits).

Under the Corporate Income Tax Law, the corporate income tax ("CIT") for other companies in the Group is calculated at a rate of 25% (2018: 25%) on the Group's estimated assessable profits for the year ended 31 December 2019.

	2019	2018
	RMB'000	*RMB'000*
Current — the PRC:		
Charge for the year	**401**	1,125
Under-provision in prior year	**2**	32
	403	1,157
Deferred tax	**15**	60
Total tax charge for the year	**418**	1,217

8. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of RMB10,499,000 (2018: RMB3,394,000) and the number of ordinary shares of 187,430,000 (2018: 187,430,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

9. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

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 was of the view that the Original Tenancy was 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 having moved out from the Leased Property. The Company moved out from the Leased Property on 11 July 2017 as well as settled the rent up to 31 December 2016. After having moved out from the Leased Property, the Current Landlord filed an execution requisition (the "Execution Requisition") to the Court in respect of, inter alia, requesting the Company to move out those plant and machineries from the remaining parts of the Leased Property. In 2019, the remaining rental expenses of approximately RMB254,000 for the period from 1 January 2017 to 11 July 2017 (the date moved out from the Leased Property) was settled after offsetting the construction costs of RMB150,000 of the Third Legal Case mentioned below. The Execution Requisition was still in progress as at 31 December 2019 and the date of approving the consolidated financial statements.

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. In 2018, the court judged that the Current Landlord has to pay for the construction costs of the underground facilities to the Company for the amount of RMB150,000. The construction costs have been offset by the Company when settled the rental expenses of the First Legal Case during the year.

In the opinion of the directors of the Company, there was no significant financial impact on the Group as (i) all rental expenses was settled; and (ii) the Execution Requisition is outside the jurisdiction of the Court.

11. INVESTMENT PROPERTIES

	2019	2018
	RMB'000	*RMB'000*
Carrying amount at 1 January	**23,510**	23,270
Net gain from a fair value adjustment *(note 4)*	**60**	240
Carrying amount at 31 December	**23,570**	23,510

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 (the "PRC Government") officials, it has been confirmed that the Zhonggu Factories had been included in the Zhonggu Land Redevelopment Proposal.

On 25 December 2018, the Company received a notice from Shanghai Qingpu District Housing Security and Housing Administration Bureau (上海市青浦區住房保障和房屋管理局) (the "Bureau"), confirming that the Zhonggu Factories are part of the state owned land resumption according to the Housing Expropriation and Compensation Regulations on State Owned Land (國有土地上房屋徵收與補償條例). On 14 March 2019, the Company received a first draft valuation report dated 11 March 2019 (the "Report") from the Bureau. The valuation was done by Shanghai Real Estate Appraisers Co., Ltd. (上海房地產估值師事務所有限公司) selected by the Company and appointed by the Bureau. According to the Report, as at 28 January 2019 the compensation of the Zhonggu Factories, including but not limited to the land and building, is valued at RMB41,575,440. On 24 March 2019, according to relevant rules and regulations, in order to maximise the compensation for resumption of the Zhonggu Factories, the Company had logged in an objection to the Bureau against the value of the Zhonggu Factories in the Report. In June 2019, the objection was rejected by Shanghai People's Government (上海市人民政府).

On 25 May 2019, certain rechecking valuation reports (the "Second Report") of investment properties done by Shanghai Real Estate Appraisers Co., Ltd. was issued to the Company by the Bureau. According to the Second Report, as at 28 January 2019, the compensation of the Zhonggu Factories, including but not limited to the land and building, is valued at RMB46,638,953 in total.

As the Company considers that there were a series of disputes during the valuation procedures, including improper land resumption procedures, incorrect areas of Zhonggu Factories and improper rehousing arrangements, the Company filed a suit in Shanghai Second Intermediate People's Court (上海市第二中級人民法院) against Shanghai Qingpu District People's Government (上海市青浦區人民政府) in respect of revoking the land resumption compensation decision in December 2019.

The Bureau and the Company have not agreed on any special schedule or compensation proposal for resumption of the Zhonggu Factories.

The Zhonggu Factories are currently vacated. Therefore, the resumption of the Zhonggu Factories has no material impact on the daily operation of the Group.

12. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**16,528**	18,041
Less: Allowance for credit losses	**(1,163)**	(1,483)
	15,365	16,558
Bills receivables	**404**	913
	15,769	17,471

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. 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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**2,930**	5,367
1 to 2 months	**3,002**	1,877
2 to 3 months	**1,248**	2,080
3 to 6 months	**6,306**	1,919
6 to 12 months	**1,878**	2,513
1 to 2 years	**405**	3,715
	15,769	17,471

The movements in the allowance for credit loss of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**1,483**	1,575
Impairment losses *(note 5)*	**3,389**	–
Reversal of impairment losses *(note 5)*	**(320)**	(92)
	3,069	(92)
	4,552	1,483
Amount written off as uncollectible	**(3,389)**	–
At 31 December	**1,163**	1,483

The decrease (2018: decrease) in the allowance for credit loss was due to the following significant changes in the gross carrying amount:

(i) Decrease in the allowance for credit loss to RMB1,163,000 (2018: RMB1,483,000) as a result of a net decrease (2018: decrease) in the gross carrying amount after the recovery of certain impaired trade receivables during the year; and

(ii) Amount written off as uncollectible of RMB3,389,000 as there was an indicator that a single debtor aged more than one year past due cannot be collected (2018: Nil).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses, as follows:

31 December 2019

	Neither past due nor impaired	**Less than 1 month past due**	**1 to 3 months past due**	**3 to 6 months past due**	**6 to 12 months past due**	**More than 1 year past due**	**Total**
Gross carrying amount *(RMB'000)*	**6,042**	**1,968**	**3,574**	**2,923**	**879**	**1,142**	**16,528**
Less: gross carrying amount of specific debtors without known financial difficulties and/or subject to a one-on-one credit loss analysis *(RMB'000)*	**(2,156)**	**(86)**	**(98)**	**(137)**	**(76)**	**(128)**	**(2,681)**
Adjusted gross carrying amount *(RMB'000)*	**3,886**	**1,882**	**3,476**	**2,786**	**803**	**1,014**	**13,847**
Expected credit loss rate							**2%–50%**
Expected credit losses *(RMB'000)*							**1,163**

31 December 2018

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	3 to 6 months past due	6 to 12 months past due	More than 1 year past due	Total
Gross carrying amount *(RMB'000)*	6,855	1,453	1,712	1,808	5,211	1,002	18,041
Less: gross carrying amount of specific debtors without known financial difficulties and/or subject to a one-on-one credit loss analysis *(RMB'000)*	(1,161)	(30)	(80)	–	(3,630)	–	(4,901)
Adjusted gross carrying amount *(RMB'000)*	5,694	1,423	1,632	1,808	1,581	1,002	13,140
Expected credit loss rate							1%–50%
Expected credit losses *(RMB'000)*							1,483

As the Group's historical credit loss experience for the inspection services segment and aquarium products segments does not have material impairment records as well as certain specific receivables with different credit history (where a one-on-one credit loss analysis is carried out), the Group adjusted for factors that are specific to these debtors. The provision rates are based on days past due for groupings of various customer segments. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

13. 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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**2,113**	2,243
1 to 2 months	**1,991**	1,146
2 to 3 months	**303**	771
Over 3 months	**2,485**	4,048
	6,892	8,208

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

14. DUE TO THE IMMEDIATE HOLDING COMPANY, NON-CONTROLLING INTERESTS AND A RELATED COMPANY

The amounts due to the immediate holding company, non-controlling interests and a related company are unsecured, interest-free and have no fixed terms of repayment.

The shareholder of the related company is one of the directors of the Company.

As at 31 December 2019, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "Facility") for the period expiring on 30 May 2021 (2018: 30 May 2020). As at 31 December 2019 and 2018, the Facility has not been drawn down.

15. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been implemented across the PRC. The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries. Up to the date of this announcement, the financial effect cannot be estimated. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded a revenue of approximately RMB78,016,000 (year ended 31 December 2018: RMB69,650,000), representing an increase of approximately 12% over last year mainly because of online sales channels promotions which increase sales in aquarium products segment during the year. Sales of marine fire-fighting equipment was also increased during the year because of better sales strategies were imposed.

GROSS PROFIT

For the year ended 31 December 2019, the Group recorded overall gross profit of approximately RMB15,728,000 (year ended 31 December 2018: RMB16,745,000). The gross profit ratio is approximately 20% and 24% for the years ended 31 December 2019 and 2018 respectively. The decrease in gross profit ratio is mainly due to (i) stock clearance sale before vacating a factory for converting its use from production to lease out for rental; (ii) market subcontracting rate increased for inspection services; and (iii) increase cost of aquarium tools with the same level of selling price.

OTHER INCOME AND GAINS

Other income and gains for the year ended 31 December 2019 increased by approximately RMB1,175,000 from RMB1,191,000 for the year ended 31 December 2018 to approximately RMB2,366,000. This is mainly due to (i) increase in income from investment products; and (ii) write-back of other payables and amount due to a related company.

SELLING AND DISTRIBUTION COSTS

For the year ended 31 December 2019, the Group's selling and distribution costs increased to approximately RMB3,081,000 from RMB2,858,000, representing an increase of 8% over the corresponding period of last year. This is mainly due to increase in transportation costs and salaries of aquarium products segment during the year.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2019, the Group's administrative expenses amounted to approximately RMB21,542,000, (year ended 31 December 2018: approximately RMB16,173,000), representing an increase of 33%. The increase is mainly due to redundancy payment for terminated operation because of land resumption and vacating a factory to lease out for rent during the year.

FINANCE COST

Finance cost for the year ended 31 December 2019 was RMB80,000 arose from interest on lease liabilities (year ended 31 December 2018: Nil).

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 (2018: Nil).

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%. Six of the Company's subsidiaries (2018: four of the Company's subsidiaries and a branch of a subsidiary) have been designated as a small-scale enterprise. The concessionary CIT rate was revised with effective from 1 January 2019, the first RMB1,000,000 of assessable profits of these subsidiaries were subject to the concessionary CIT rate of 5% of assessable profits (i.e. 20% on the 25% assessable profits) and the remaining assessable profits not over RMB3,000,000 were subject to the concessionary CIT rate of 10% of assessable profits (i.e. 20% on the 50% assessable profits).

For the year ended 31 December 2018, four subsidiaries and a branch of a subsidiary designated as a small-scale enterprise was subject to CIT at 10% of assessable profits (i.e. at a rate of 20% on 50% of assessable profits).

Under the Corporate Income Tax Law, the corporate income tax ("CIT") for other companies in the Group is calculated at a rate of 25% (2018: 25%) on the Group's estimated assessable profits for the year ended 31 December 2019.

The effective tax rate of the Group is (4)% for the year ended 31 December 2019 (year ended 31 December 2018: (108)%). It is due to the loss in certain subsidiaries, which are not allowed to offset assessable profits arising from other subsidiaries of the Group.

The decrease in income tax expenses mainly attributable to two profitable subsidiaries were designated as a small-scale enterprise in 2019 and enjoy a concessionary CIT rate.

NON-CONTROLLING INTERESTS

For the year ended 31 December 2019, loss for the year attributable to non-controlling interests is approximately RMB1,296,000 (year ended 31 December 2018: profit RMB1,048,000).

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

For the year ended 31 December 2019, the Group recorded loss for the year attributable to the owners of the Company of approximately RMB10,499,000 (year ended 31 December 2018: RMB3,394,000). The loss was primarily attributable to (i) redundancy fee for termination on of operation because of land resumption and vacating a factory to lease out for rent; (ii) decrease in gross profit margin; and (iii) impairment of trade and bills receivables during the year.

NET CURRENT ASSETS

As at 31 December 2019, the Group had current assets of approximately RMB55,390,000, based on which, the current ratio was 3.0 (31 December 2018: 3.3). The drop was mainly caused by a decrease in inventories, trade and bills receivables and cash and cash equivalents. The current liabilities decreased from RMB19,731,000 as at 31 December 2018 to RMB18,536,000 as at 31 December 2019 mainly attributable to decrease in trade payables. Current assets as at 31 December 2019 mainly comprised inventories of approximately RMB7,954,000 (31 December 2018: RMB13,889,000), trade and bills receivables of approximately RMB15,769,000 (31 December 2018: RMB17,471,000), prepayments, other receivables and other assets of approximately RMB4,312,000 (31 December 2018: RMB3,996,000) and cash and bank deposits of approximately RMB26,505,000 (31 December 2018: RMB29,668,000). The inventories turnover days for the year is 47 days (31 December 2018: 96 days). The drop is mainly caused by Special Cylinder's clearance sales in the fourth quarter to vacate the factory to lease out for rent. Trade and bills receivables decreased by 10% mainly because of impairment of a trade and bills receivable during the year. Current liabilities mainly comprised trade payables of approximately RMB6,892,000 (31 December 2018: RMB8,208,000), the decrease was due to settlement of accounts payable in terminated operation because of land resumption and vacating a factory to lease out for rent. Other payables and accrued charges remain stable of approximately RMB4,485,000 (31 December 2018: RMB4,547,000).

GEARING RATIO

The Group's gearing ratio as at 31 December 2019 was 35% (31 December 2018: 30%), which was expressed as a percentage of the total liabilities divided by the total equity. The increase was mainly attributable to increase in lease liabilities and bigger loss for the year.

LITIGATION

Please refer the details of litigation to notes 10 and 11 to this announcement.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had net assets of approximately RMB71,066,000 (31 December 2018: RMB82,861,000). The Group's operations are financed principally by internal sources, shareholders' borrowings and shareholders' equity.

As at 31 December 2019, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "Facility") for the period expiring on 30 May 2021 (2018: 30 May 2020). As at 31 December 2019 and 2018, the Facility has not been drawn down.

EMPLOYEES

As at 31 December 2019, the Group had 125 employees (2018: 233 employees). The decrease is mainly due to the redundancy of certain staff in the terminated operation. 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.

BUSINESS REVIEW

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 Group had reduced profit margin on some products in the first quarter of 2019 in order to secure more orders and kept improving the profitability of the Group by increasing the operation efficiency and seeking for new business opportunities in fire-fighting industry.

The Group's factory located at 740 and 777 Zhonggu Street, Zhonggu Town, Qingpu District, Shanghai, the PRC (中國上海市青浦區重固鎮重固大街740及777號) (the "Zhonggu Factories") and certain leased land and buildings used by Shanghai Yuanfeng Pressure Cylinder Co. Ltd. (上海元奉高壓容器有限公司) ("Yuanfeng") are included in the land redevelopment plan. These resumptions of land has no material impact on the daily operations of the Group but provided an opportunity for the Group to centralize the production and improve profitability. In September 2019, the Company's subsidiary, Shanghai Pressure Special Gas Cylinder Co., Ltd.* ("Special Cylinder") (上海高壓特種氣瓶有限公司), got an offer from an independent third party proposing to lease the entire factory for 15 years, at annual rent not less than RMB5,800,000 (the "Special Gas Cylinder Offer"). With centralizing the production in mind and considering the orders in the past years, the Group decided to accept the Special Gas Cylinder Offer in November 2019.

Since the outbreak of the Coronavirus Disease 2019 ("COVID-19"), the prevention and control of the COVID-19 has been going on throughout the China. Facing the epidemic situation, the Group, while cooperating with the government to fight the epidemic situation, actively took measures to avoid the economic loss of the Group. The Group also promoted employees' home office and network office and maintained close contact with suppliers and customers, and tried to maintain the normal development of business activities. The Group's business would have minimal business activities because of the epidemic. However, according to the experience of the Group in the past years, activity before and after Chinese New Year is usually very slow.

The Group will seriously deal with the negative impact of the epidemic on various businesses. In addition, the Group believes that the epidemic will stimulate demand for some products and services when the epidemic is over, and the Group's related businesses will benefit directly or indirectly.

The outbreak of COVID-19 have had certain impact over the Group's restoration of production and operation since January 2020. The Directors are still assessing the financial impact that the COVID-19 will have on the Group's financial position and operating performance up to the date of approval of these consolidated financial statements.

PROSPECT

We believe that the Company, with all the work done and change in business strategies in 2019 and experienced management team, will be able to sharpen the competitive edge. The Company will continue to develop new market of higher-margin products/businesses and centralisation of production will help to increase profitability. The Company will 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 fire fighting service provider in the PRC.

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.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered by the Company 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.

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 statements and providing 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 2019.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 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 2019. 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 2019 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, 25 March 2020

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.

This announcement, for which the Directors collectively and individually accept full responsibilities, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.

This announcement remain on the "Latest Company Announcements" page of GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www. shanghaiqingpu.com.