



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)

FIRST QUARTERLY REPORT 2020

* *For identification purpose only*

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This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

AUTHORISED REPRESENTATIVE

Mr. Chan Chi Wai Benny
Mr. Shi Hui Xing

COMPANY SECRETARY

Mr. Chan Chi Wai Benny

AUDITORS

Ascenda Cachet CPA Limited

PRINCIPAL BANKERS

China Construction Bank Huaxin Sub-branch
Shanghai Rural Commercial Bank Co., Ltd
Chonggu branch

H SHARE SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

1988 Jihe Road
Hua Xin Town
Qingpu District, Shanghai
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2605, Island Place Tower
510 King's Road
North Point, Hong Kong

QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company”, and together with its subsidiaries, collectively the “Group”) presents the unaudited results of the Group for the three months ended 31 March 2020 together with the unaudited comparative figures for the corresponding period in 2019, as follows:

	<i>Notes</i>	Unaudited	
		Three months ended 31 March	
		2020	2019
		RMB'000	RMB'000
Revenue	3	9,529	18,591
Cost of sales		(6,280)	(15,474)
Gross profit		3,249	3,117
Other income and gains	3	310	339
Selling and distribution expenses		(361)	(715)
Administrative expenses		(2,247)	(3,760)
Finance cost		(20)	(34)
Profit/(loss) before tax		931	(1,053)
Income tax expense	4	(42)	(46)
Profit/(loss) for the period and total comprehensive income/(loss) for the period		889	(1,099)
Attributable to:			
Owners of the Company		(118)	(1,230)
Non-controlling interests		1,007	131
		889	(1,099)
Loss per share attributable to ordinary equity holders of the Company (RMB)			
— Basic (cents)	5	(0.06)	(0.66)
— Diluted (cents)		(0.06)	(0.66)

Notes:

1. GENERAL

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (“上海青浦消防器材股份有限公司”) (the “Company”) is a joint stock limited liability company in the People’s Republic of China (the “PRC”). 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 period, the Group was involved in the following principal activities:

- manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels);
- provision of fire technology inspection services;
- manufacture and trading of iron casted grooved couplings (which was terminated during the year ended 31 December 2019);
- trading of sanitary-ware and other products;
- sales of aquarium products; and
- marine fire-fighting equipment installation and inspection.

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”) and the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”). The financial information has been prepared under the historical convention, except for investment properties which are measured at fair value.

The unaudited condensed financial statements for the three months ended 31 March 2020 are unaudited, but have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019.

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results for the current or prior periods have been prepared or presented in this report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE, OTHER INCOME AND GAINS

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

	Unaudited Three months ended 31 March	
	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Sales of pressure vessels	2,237	11,236
Inspection service fees	1,098	2,045
Sales of aquarium products	3,562	2,792
Sales of marine fire-fighting equipment	1,210	2,387
Marine fire-fighting equipment inspection service fees	5	131
	<u>8,112</u>	<u>18,591</u>
Revenue from other sources		
Gross rental income	1,417	–
	<u>9,529</u>	<u>18,591</u>
Other income and gains		
Interest income	8	10
Sales of scraps	11	168
Government grant	291	161
	<u>310</u>	<u>339</u>
Total revenue, other income and gains	<u><u>9,839</u></u>	<u><u>18,930</u></u>

4. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

Under the Corporate Income Tax Law, the corporate income tax (“CIT”) rate applicable to small-scale enterprises with low profitability that meet certain conditions shall be reduced to 20%. Six (three months ended 31 March 2019: six) of the Company’s subsidiaries 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).

Under the Corporate Income Tax Law, the CIT for other companies in the Group is calculated at a rate of 25% (three months ended 31 March 2019: 25%) on the Group’s estimated assessable profits for the three months ended 31 March 2020.

Unaudited	
Three months ended	
31 March	
2020	2019
RMB’000	RMB’000

Current tax — PRC:

Provision for the period

<u>42</u>	<u>46</u>
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As at 31 March 2020, the unrecognised deferred tax assets in respect of tax benefits from unrecognised tax losses of the Group are approximately RMB10,080,000 (31 December 2019: approximately RMB10,136,000). The Group did not have other material unprovided deferred tax liabilities as at 31 March 2020 and 31 December 2019 as the temporary differences are immaterial.

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

The calculation of the basic loss per share for the three months ended 31 March 2020 is based on the loss attributable to equity holders of the Company of approximately RMB118,000 (three months ended 31 March 2019: RMB1,230,000), and on the number of 187,430,000 (31 March 2019: 187,430,000) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts for the three months ended 31 March 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

6. DIVIDEND

No dividend have been paid or declared by the Group during the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

7. EQUITY

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Discretionary common reserve fund RMB'000	Asset revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020	18,743	10,910	43,655	7,061	1,500	11,299	(21,898)	71,270	(204)	71,066
(Loss)/profit for the period and total comprehensive (loss)/income for the period	-	-	-	-	-	-	(118)	(118)	1,007	889
As at 31 March 2020	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>7,061</u>	<u>1,500</u>	<u>11,299</u>	<u>(22,016)</u>	<u>71,152</u>	<u>803</u>	<u>71,955</u>
As at 1 January 2019	18,743	10,910	43,655	6,936	1,500	11,299	(11,274)	81,769	1,092	82,861
(Loss)/profit for the period and total comprehensive (loss)/income for the period	-	-	-	-	-	-	(1,230)	(1,230)	131	(1,099)
As at 31 March 2019	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>6,936</u>	<u>1,500</u>	<u>11,299</u>	<u>(12,504)</u>	<u>80,539</u>	<u>1,223</u>	<u>81,762</u>

8. RELATED PARTY TRANSACTIONS

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

	Unaudited Three months ended 31 March 2020		2019
	RMB'000		RMB'000
Inspection services income			
上海石化消防工程有限公司 (literally translated as “Shanghai Petro-Chemical Fire-fighting Engineering Company Limited”, “SPFE”)		<u>14</u>	<u>17</u>
Rental expenses			
中聯城消防科技集團有限公司 (literally translated as “Zhong Lian Cheng Fire-Fighting Technology Group Company Limited”, “ZLCFT”)		<u>-</u>	<u>34</u>

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

BUSINESS AND FINANCIAL REVIEW

Turnover

For the three months ended 31 March 2020, the Group recorded a turnover of approximately RMB9,529,000 (three months ended 31 March 2019: RMB18,591,000), representing a decrease of approximately 49% over the corresponding period of last year mainly due to (i) prevention and control of the Coronavirus Disease 2019 (“COVID-19”) had taken place during which most of the business activities have been suspended and (ii) the termination of operation of two factories led to the significant decrease in sales of pressure vessels.

Gross profit

For the three months ended 31 March 2020, the Group recorded overall gross profit of approximately RMB3,249,000 (three months ended 31 March 2019: RMB3,117,000). The gross profit ratio increased from approximately 17% for the three months ended 31 March 2019 to 34% for the three months ended 31 March 2020 mainly because of the decrease in sales of low profit margins products and rental income from a vacated factory leased out for rent commencing from late 2019.

Other income and gains

Other income and gains for the three months ended 31 March 2020 decreased by approximately RMB29,000 from RMB339,000 for the three months ended 31 March 2019 to approximately RMB310,000. This is mainly due to the decrease in the sale of scraps, which was partially offset by an increase in government grant.

Selling and distribution expenses

For the three months ended 31 March 2020, the Group’s selling and distribution expenses decreased to approximately RMB361,000 from RMB715,000, representing a decrease of 50% over the corresponding period of last year. This is mainly because of the significant decrease in sales of pressure vessels.

Administrative expenses

For the three months ended 31 March 2020, the Group’s administrative expenses decreased by 40% to approximately RMB2,247,000 (three months ended 31 March 2019: RMB3,760,000), mainly because of (i) the termination of operation of two factories by the end of 2019; and (ii) operation suspended because of COVID-19.

Finance costs

For the three months ended 31 March 2020, the Group’s finance costs (interest on lease liabilities) were RMB20,000 (three months ended 31 March 2019: RMB34,000).

Profit/(loss) for the period

At a result of the above, for the three months ended 31 March 2020, the Group recorded a profit for the period of approximately RMB889,000 (three months ended 31 March 2019: loss RMB1,099,000).

Income tax

Pursuant to the relevant PRC tax regulations, the normal Corporate Income Tax (“CIT”) rate is 25%.

The CIT is calculated on the estimated assessable profits at 25% for the three months ended 31 March 2020 (three months ended 31 March 2019: 25%).

The effective tax rate of the Group is 5% for the three months ended 31 March 2020 (three months ended 31 March 2019: (4)%). It is due to the net loss in certain subsidiaries offset net profits arising from other subsidiaries of the Group and the utilisation of certain tax loss brought forward from prior periods to offset the assessable profits generated during the period.

Non-controlling interests

For the three months ended 31 March 2020, profit for the period attributable to non-controlling interests is approximately RMB1,007,000 (three months ended 31 March 2019: profit of RMB131,000). The increase is mainly arising from the share of profit to non-controlling interests of the subsidiary renting out the vacated factory for the three months ended 31 March 2020.

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’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. With centralizing the production in mind and considering the orders in the past years, 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), has leased the entire factory for 15 years, at annual rent not less than RMB5,800,000 to an independent third party in November 2019. This not only reduces overhead costs but also provides stable income for the Group. The positive effects are reflected in the results for the three months ended 31 March 2020.

Since the outbreak of the Coronavirus Disease 2019 (“COVID-19”), the prevention and control of the COVID-19 has been going on throughout 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 had 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 had minimal business activities because of the epidemic. With the help of Special Cylinder leasing out the entire factory which reduce overhead costs and provides stable income, the impact was reduced but the Group will face more challenges when business activities resume gradually.

PROSPECT

Business environment in post-pandemic economy will be difficult and challenging. We believe that the Company, with all the work done and change in business strategies and experienced management team, will be able to sharpen the competitive edge. The Company has secured a stable income and centralized production and will continue to develop new market of higher-margin products/businesses. The Company will also prudently seek for business opportunities which may arise from COVID-19 with the aim to enhance shareholder value.

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

As at 31 March 2020, the interests and short positions of the Directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”), were as follows:

Long positions in shares of the Company

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

Note:

- Liancheng hold 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng, holds 1,300,000 H shares of the Company. Zhejiang Hengtai owns 80% of Liancheng and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai. Accordingly, Mr. Zhou Jin Hui is deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

Liancheng is owned as to 80% by Zhejiang Hengtai and 20% by Mr. Zhou Jin Hui.

Save as disclosed above, as at 31 March 2020, none of the Directors and supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2020, the following persons (other than the Director and supervisors of the Company) have interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Approximate percentage of total registered Share capital
Liancheng Fire-Fighting Group Company Limited (<i>Note 3</i>)	Beneficial owner	131,870,000 (<i>Note 1</i>)	70.36%
	Held by controlled corporation	1,300,000 (<i>Note 2</i>)	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 (<i>Note 1</i>)	70.36%
	Held by controlled corporation	1,300,000 (<i>Note 2</i>)	0.69%

Notes:

- All represent domestic shares of the Company.
- Liancheng hold 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a wholly-owned subsidiary of Liancheng, holds 1,300,000 H shares of the Company. Zhejiang Hengtai owns 80% of Liancheng. Accordingly, Zhejiang Hengtai is deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.
- On 12 January 2017, the board of directors of the Company was notified that, an aggregate of 131,870,000 domestic shares of the Company (the "Pledged Shares") held by Liancheng have been pledged in favour of an independent third party (the "Lender") as a security for a loan amount of RMB198,000,000 provided by the Lender to Liancheng (the "2017 Loan"). The Pledged Shares will be released if Liancheng makes a partial repayment amounting to RMB63,000,000 to the Lender. Relevant shares pledge registration procedures have been completed with China Securities Depository and Clearing Corporation Limited. As of 12 January 2017 and the date of this report, the Pledged Shares represent approximately 70.36% and 100% of the issued share capital and domestic shares of the Company, respectively.

Save as disclosed above, the Company has not been notified of any other person had relevant interests representing 5 percent or more in the issued shares capital of the Company as at 31 March 2020.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

To the best knowledge of the Board, save as disclosed in note 8 of this report, no contracts of significance in relation to the Company's business to which the Company was a party and in which any persons who were Directors and supervisors of the Company during the three months ended 31 March 2020 had a material interest, whether directly or indirectly, subsisted at 31 March 2020 or at any time during the three months ended 31 March 2020.

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

During the three months ended 31 March 2020, the Company did not purchase, sell or redeem any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company wish to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 15 of the GEM Listing Rules (the "Code") during the period.

(1) Corporate Governance Practices

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

(2) Directors' Securities Transactions

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

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yang Chun Bao, Mr. Wang Guo Zhong and Mr. Song Zi Zhang.

The Audit Committee has reviewed the Group’s unaudited results for the three months ended 31 March 2020 and has provided advice and comments thereon.

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

Shanghai, 11 May 2020

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

This report will be published on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company www.shanghaiqingpu.com.