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**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 PRC)*

**(Stock Code: 8115)**

**HISTORICAL CONTINUING CONNECTED TRANSACTIONS  
AND ADVANCES TO AN ENTITY;  
AND  
CONTINUING CONNECTED TRANSACTIONS**

**(I) Historical transactions from 2006 to 2009**

The Company had failed to strictly comply with the relevant requirements under (i) Rule 20.35 of the then GEM Listing Rules in respect of the 2006 Sales to Huasheng, the 2009 Sales to Hengtai, and the Advances to Lianhu; and (ii) Rule 17.15 of the GEM Listing Rules in respect of the Advances to Lianhu.

**The 2006 Sales to Huasheng**

At the time when the sales made by the Company to the subsidiaries of Huasheng (including 2006 Sales to Huasheng) were carried out prior to 15 August 2008 (i.e. the date when the Shares registered in the name of Huasheng were transferred to Liancheng), Huasheng was the then controlling Shareholder, and hence a connected person of the Company. As a result, all sales made to the subsidiaries of Huasheng (including the 2006 Sales to Huasheng) prior to 15 August 2008 constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

**The 2009 Sales to Hengtai**

At the time when the sales made by the Company to the subsidiaries of Hengtai (including the 2009 Sales to Hengtai) were and are being carried out after 15 August 2008 (i.e. the date when the Shares registered in the name of Huasheng were transferred to Liancheng), Hengtai, which is entitled to exercise the voting rights of an aggregate of 131,870,000 Domestic Shares and 1,300,000 H Shares through its subsidiaries, Liancheng and Lianhcheng HK, is the controlling Shareholder, and hence a connected person of the Company. As a result, all sales made and being made to the subsidiaries of Hengtai (including the 2009 Sales to Hengtai) after 15 August 2008 constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

## **The Advances to Lianhu**

At the time when the Advances to Lianhu were carried out, Lianhu is a subsidiary of Hengtai, which is a controlling Shareholder, and hence a connected person of the Company. As a result, all funds transferred to Lianhu constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the 2006 Sales to Huasheng, the 2009 Sales to Hengtai, and the Advances to Lianhu is equal to or more than 2.5% but less than 25% and the total consideration is less than HK\$10 million, each of the 2006 Sales to Huasheng, the 2009 Sales to Hengtai, and the Advances to Lianhu is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirements under the then GEM Listing Rules. In addition, as the asset ratio in respect of the Advances to Lianhu exceeds 8%, the Advances to Lianhu is subject to disclosure obligation under Rule 17.15 of the GEM Listing Rules.

## **(II) Continuing connected transactions of the Company in 2010**

### **2010 Sales to Hengtai**

On 22 July 2010, the Company entered into the Master Sales Agreement with Hengtai for the term commencing from 15 August 2008 and ending on 31 December 2010.

At the time when the sales made by the Company to the subsidiaries of Hengtai (including the 2010 Sales to Hengtai) were and are being carried out after 15 August 2008 (i.e. the date when the Shares registered in the name of Huasheng were transferred to Liancheng), Hengtai, which is entitled to exercise the voting rights of an aggregate of 131,870,000 Domestic Shares and 1,300,000 H Shares through its subsidiaries, Liancheng and Lianhceng HK, is the controlling Shareholder, and hence a connected person of the Company. As a result, all sales made and being made to the subsidiaries of Hengtai (including the 2010 Sales to Hengtai) after 15 August 2008 constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the 2010 Sales to Hengtai is equal to or more than 5% but less than 25% and the total consideration is less than HK\$10 million, the 2010 Sales to Hengtai is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirements under the GEM Listing Rules.

Dealing in the H Shares has been suspended since 21 December 2006. As stated in the Company's announcement dated 26 March 2010, the Stock Exchange has served a notice on 26 February 2010 to the Company giving a period of six months for the submission of a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as required, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months period from the date of the notice (i.e. 25 August 2010).

## **Background**

The Company is principally engaged in the research and development, manufacture and sales of fire-fighting equipment in the PRC.

### **(I) Historical transactions from 2006 to 2009**

While performing audit of the Company's financial statements for each of the four years ended 31 December 2009 by the Auditors, it was brought to the attention of the Board that the Company had failed to strictly comply with the relevant requirements under Rule 20.35 of the then GEM Listing Rules in respect of (i) the sales made by the Company to the subsidiaries of Huasheng in 2006 (the "**2006 Sales to Huasheng**"); (ii) the sales made by the Company to the subsidiaries of Hengtai in 2009 (the "**2009 Sales to Hengtai**"); and (iii) advances of funds by the Company to Lianhu during 2009 (the "**Advances to Lianhu**"). In addition, it was also brought to the attention of the Board that the Company had failed to strictly comply with Rule 17.15 of the GEM Listing Rules in respect of the Advances to Lianhu.

Each of the 2006 Sales to Huasheng, the 2009 Sales to Hengtai, and the Advances to Lianhu is subject to the reporting and announcement requirements under the then GEM Listing Rules. Details of the sales made by the Company to the subsidiaries of Huasheng (including the 2006 Sales to Huasheng), the sales made to the subsidiaries of Hengtai (including 2009 Sales to Hengtai), and the Advances to Lianhu are set out below.

#### **The 2006 Sales to Huasheng**

In the ordinary course of business of the Company, the Company had sold its products to certain subsidiaries of Huasheng, which was prior to 15 August 2008 (i.e. the date when the Shares registered in the name of Huasheng were transferred to Liancheng) the then controlling Shareholder, and hence a connected person of the Company under the GEM Listing Rules. To the best of the existing Directors' knowledge, information, and belief and having made all reasonable enquiries, (i) Huasheng's scope of business includes gas and aerosol products, precision chemicals, mechanical facilities, chemical raw materials, construction materials and communication equipment, as well as investment and export and import businesses; and (ii) Huasheng via certain of its subsidiaries engages in the manufacture and sales of fire hoses, dry powder and pressure cylinders for non-fire fighting purposes. According to the unaudited financial reports of the Company, the 2006 Sales to Huasheng amounted to approximately RMB3,063,000, representing approximately 6.87% of the Company's total assets and approximately 7.15% of the Company's turnover for the same period as well as approximately 8.60% of the Company's market capitalisation. Such sales amount also represents approximately 4.50% of the Company's total assets and approximately 4.63% of the Company's turnover for the year ended 31 December 2005 (being the latest published figures).

The Company did not enter into any written agreement in respect of the 2006 Sales to Huasheng. To the best of the existing Directors' knowledge, information, and belief and having made all reasonable enquiries, the 2006 Sales to Huasheng were based on market prices and the Directors, including independent non-executive Directors, consider that the 2006 Sales to Huasheng are on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole.

According to the unaudited financial reports of the Company, sales made to the subsidiaries of Huasheng for each of the two years ended 31 December 2008 amounted to less than HK\$1 million and each of the applicable percentage ratios (other than the profits ratio) is less than 2.5%. Therefore, such transactions are exempted from the reporting, announcement, and independent shareholders' approval requirements under the then GEM Listing Rules.

### **The 2009 Sales to Hengtai**

In the ordinary course of business of the Company, the Company has been selling its products to certain subsidiaries of Hengtai on an ongoing basis and since 15 August 2008, Hengtai, which is entitled to exercise the voting rights of an aggregate of 131,870,000 Domestic Shares and 1,300,000 H Shares through its subsidiaries, Liancheng and Liancheng HK, had become the controlling Shareholder, and hence a connected person of the Company under the GEM Listing Rules. Hengtai is principally engaged in the property development and sales of construction materials in the PRC.

According to the unaudited financial reports of the Company, sales made to the subsidiaries of Hengtai for the period from 15 August to 31 December 2008 amounted to less than HK\$1 million and each of the applicable percentage ratios (other than the profits ratio) is less than 2.5%. Therefore, such transactions are exempted from the reporting, announcement, and independent shareholders' approval requirements under the then GEM Listing Rules.

According to the unaudited financial reports of the Company, the 2009 Sales to Hengtai amounted to approximately RMB1,867,000, representing approximately 6.37% of the Company's total assets and approximately 9.29% of the Company's turnover for the same period as well as approximately 5.24% of the Company's market capitalisation. Such sales amount also represents approximately 2.74% of the Company's total assets and approximately 2.82% of the Company's turnover for the year ended 31 December 2005 (being the latest published figures).

### **Advances to Lianhu**

During the year of 2009, the Company had transferred funds to Lianhu, which is a subsidiary of Hengtai, which is the controlling Shareholder, and hence a connected person of the Company under the GEM Listing Rules. Lianhu is principally engaged in the sales of fire-fighting equipment and provision of related repair services. According to the unaudited financial reports of the Company, the total sum of funds transferred from the Company to Lianhu during 2009 amounted to approximately RMB3,914,000, representing approximately 13.36% of the Company's total assets and approximately 19.48% of the Company's total turnover for the same period as well as approximately 10.99% of the Company's market capitalisation. Such transfer amount also represents approximately 5.75% of the Company's total assets and approximately 5.92% of the Company's total turnover for the year ended 31 December 2005 (being the latest published figures). During the year of 2009, some of the funds transferred to Lianhu had been repaid and the sum due from Lianhu to the Company as at 31 December 2009 amounted to approximately RMB648,000.

The Company did not enter into any written agreement in respect of the Advances to Lianhu. The funds transferred to Lianhu were interest-free and unsecured. The Directors confirm that the outstanding balance due from Lianhu to the Company had been fully settled on 22 June 2010 and transferring funds to Lianhu by the Company has been discontinued since then.

## **The then GEM Listing Rules Requirements**

At the time when the sales made by the Company to the subsidiaries of Huasheng (including the 2006 Sales to Huasheng) were carried out prior to 15 August 2008 (i.e. the date when the Shares registered in the name of Huasheng were transferred to Liancheng), Huasheng was the then controlling Shareholder, and hence a connected person of the Company. As a result, all sales made to the subsidiaries of Huasheng (including the 2006 Sales to Huasheng) prior to 15 August 2008 constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

At the time when the sales made by the Company to the subsidiaries of Hengtai (including the 2009 Sales to Hengtai) were and are being carried out after 15 August 2008 (i.e. the date when the Shares registered in the name of Huasheng were transferred to Liancheng), Hengtai, which is entitled to exercise the voting rights of an aggregate of 131,870,000 Domestic Shares and 1,300,000 H Shares through its subsidiaries, Liancheng and Liancheng HK, is the controlling Shareholder, and hence a connected person of the Company. As a result, all sales made and being made to the subsidiaries of Hengtai (including the 2009 Sales to Hengtai) after 15 August 2008 constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

At the time when the Advances to Lianhu were carried out, Lianhu is a subsidiary of Hengtai, which is the controlling Shareholder, and hence a connected person of the Company. As a result, all funds transferred to Lianhu constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the 2006 Sales to Huasheng, the 2009 Sales to Hengtai, and the Advances to Lianhu is equal to or more than 2.5% but less than 25% and the total consideration is less than HK\$10 million, each of the 2006 Sales to Huasheng, the 2009 Sales to Hengtai, and the Advances to Lianhu is only subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirements under the then GEM Listing Rules. In addition, as the asset ratio in respect of the Advances to Lianhu exceeds 8%, the Advances to Lianhu is subject to disclosure obligation under Rule 17.15 of the GEM Listing Rules.

Mr. Zhou Jin Hui and Mr. Rao Jun Xi are the Directors, and at the same time, also the ultimate shareholders and/or directors of Liancheng and Hentai. In addition, Mr. Zheng Yi Song is the Director, and at the same time, also the director of Liancheng. In view of the above, Mr. Zhou Jin Hui, Mr. Rao Jun Xi, and Mr. Zheng Yi Song are considered as interested in the 2009 Sales to Hengtai and the Advances to Lianhu, and will abstain from voting on the relevant board resolutions for ratifying and approving the aforesaid transactions.

## **(II) Continuing connected transactions of the Company in 2010**

### **The 2010 Sales to Hengtai**

The Company is continuing to sell its products to the subsidiaries of Hengtai in 2010 (the “**2010 Sales to Hengtai**”) on an ongoing basis. On 22 July 2010, the Company entered into the Master Sales Agreement with Hengtai to govern the terms and conditions of the continuing connected transaction carried out between the Company (and/or its subsidiaries) and Hengtai (and/or its subsidiaries). Details of the Master Sales Agreement are set out as follow:

- Date: 22 July 2010
- Term: The term of the Master Sales Agreement shall be commencing from 15 August 2008 up to 31 December 2010.
- Parties: the Company;  
Hengtai, a connected person of the Company.
- Subject matter: Pursuant to the Master Sales Agreement, Hengtai and/or its subsidiaries agreed to purchase fire extinguishers and other products manufactured by the Company and/or its subsidiaries from time to time in accordance with the terms and conditions of the Master Sales Agreement.
- Price: The price for the products sold under the Master Sales Agreement will be agreed from time to time after arm’s length negotiation between the parties concerned by reference to the prevailing market price at the relevant time. The terms of sales to be offered by the Company and/or its subsidiaries to Hengtai and/or its subsidiaries under the Master Sales Agreement shall be no more favourable than those terms offered by the Company to its other independent customers in the ordinary course of business. Unless otherwise agreed, the purchase price for the good ordered at a particular month shall be settled at the end of such month.

The Directors expect that the 2010 Sales to Hengtai under the Master Sales Agreement would not exceed RMB4 million, representing approximately 13.66% of the Company’s total assets and approximately 19.90% of the Company’s turnover for the year ended 31 December 2009 (based on the unaudited financial reports of the Company), as well as approximately 11.23% of the Company’s market capitalization. Such sales amount also represents approximately 5.88% of the Company’s total assets and approximately 6.04% of the Company’s turnover for the year ended 31 December 2005 (being the latest published figures).

In determining the expected cap amount for the Master Sales Agreement for the year ending 31 December 2010, the Board has (i) reviewed the historical performance of the Company; (ii) reviewed the business plan of the Company; and (iii) discussed with the management of Hengtai in relation to their business expansion plan in 2010.

In addition, the expected cap amount for the Master Sales Agreement for the year ending 31 December 2010 is determined by the following factors:

- (i) the historical amount of sales of products from the Company to Hengtai and/or its subsidiaries for the period from 15 August to 31 December 2008 and the year ended 31 December 2009; and
- (ii) the targeted business expansion of the Company in respect of the Master Sales Agreement.

The price for the products sold under the Master Sales Agreement are based on the prevailing market prices at the relevant time, and the Directors, including the independent non-executive Directors, consider that the terms of the transaction as contemplated under the Master Sales Agreement are on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### **The GEM Listing Rules Requirements**

At the time when the sales made by the Company to the subsidiaries of Hengtai (including the 2010 Sales to Hengtai) were and are being carried out after 15 August 2008 (i.e. the date when the Shares registered in the name of Huasheng were transferred to Liancheng), Hengtai, which is entitled to exercise the voting rights of an aggregate of 131,870,000 Domestic Shares and 1,300,000 H Shares through its subsidiaries, Liancheng and Liancheng HK, is the controlling Shareholder, and hence a connected person of the Company. As a result, all sales made and being made to the subsidiaries of Hengtai (including the 2010 Sales to Hengtai) after 15 August 2008 constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the 2010 Sales to Hengtai is equal to or more than 5% but less than 25% and the total consideration is less than HK\$10 million, the 2010 Sales to Hengtai is only subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirements under the GEM Listing Rules.

Mr. Zhou Jin Hui and Mr. Rao Jun Xi are the Directors, and at the same time, also the ultimate shareholders and/or directors of Liancheng and Hentai. In addition, Mr. Zheng Yi Song is the Director, and at the same time, also the director of Liancheng. In view of the above, Mr. Zhou Jin Hui, Mr. Rao Jun Xi, and Mr. Zheng Yi Song are considered as interested in the 2010 Sales to Hengtai, and will abstain from voting on the relevant board resolutions for ratifying and approving the aforesaid transactions.

**Please be advised that as the Company has not published its financial statements for each of the four years ended 31 December 2009, the relevant financial figures for the years from 2006 to 2009 as quoted in this announcement are unaudited and are subject to changes. Should there be any significant changes in the relevant financial figures to be published, the Company will seek to re-comply with the relevant GEM Listing Rules in due course.**

## Suspension of Trading

Dealing in the H Shares has been suspended since 21 December 2006. The Stock Exchange has proposed to exercise its right to cancel the listing of the H Shares on the GEM under Rule 9.14 of the GEM Listing Rules. Under Rule 9.15 of the GEM Listing Rules, the Stock Exchange has served a notice on 26 February 2010 to the Company giving a period of six months for the submission of a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as required, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months period from the date of the notice (i.e. 25 August 2010). Please refer to the Company's announcement dated 26 March 2010 for details.

## Definitions

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“asset ratio”	has the meaning ascribed to it under the GEM Listing Rules
“Auditors”	CCIF CPA Limited and Ascenda Cachet CPA Limited (formerly known as Cachet Certified Public Accountants Limited)
“Board”	the board of the Directors
“Company”	上海青浦消防器材股份有限公司 (Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*), a joint stock limited company incorporated in the PRC with limited liability and whose H Shares are listed on the GEM
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	directors of the Company
“Domestic Shares”	ordinary shares in the share capital of the Company, with a normal value of RMB0.10 each, which are subscribed for in RMB by PRC nationals and/or PRC incorporated entities
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM (as amended from time to time)
“H Shares”	overseas listed foreign shares in the share capital of the Company, with a nominal value of RMB0.10 each, all of which are listed on the GEM, and subscribed for and traded in Hong Kong dollars
“Hengtai”	浙江恆泰房地產股份有限公司 (Zhejiang Hengtai Real Estate Joint Stock Co., Ltd*), a joint stock limited company incorporated in the PRC, which is the controlling shareholder of Liancheng
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC



“Huasheng”	上海華盛企業(集團)有限公司 (Shanghai Huasheng Enterprises (Group) Company Limited*), the former controlling Shareholder prior to 15 August 2008 (i.e. the date when the Shares registered in the name of Huasheng were transferred to Liancheng)
“Liancheng”	聯城消防集團股份有限公司 (Liancheng Fire-Fighting Group Company Limited*), a joint stock limited company incorporated in the PRC, which is the controlling Shareholder
“Liancheng HK”	Liancheng Fire Protection Group (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability on 10 March 2009 and a wholly-owned subsidiary of Liancheng
“Lianhu”	上海聯滬消防器材有限公司 (Shanghai Lianhu Fire Fighting Equipment Co., Ltd.*), a subsidiary of Hengtai
“Master Sales Agreement”	the master sales agreement dated 22 July 2010 entered into between the Company and Hengtai
“percentage ratios”	has the meaning ascribed to it under the GEM Listing Rules
“PRC”	the People’s Republic of China (but for the purpose of this announcement, excluding Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan)
“Shareholders”	the holders of the Shares
“Shares”	the Domestic Shares and the H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

By order of the Board  
**Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.**  
**Zheng Yi Song**  
*Director*

Hong Kong, 22 July 2010

*As at the date of this announcement, the executive Directors are Mr. Chen Shi Da, Mr. Hu Jing Hai, Mr. Zheng Yi Song, Mr. Zhou Jin Hui and Mr. Rao Jun Xi; the non-executive Directors are Ms. Chai Xiao Fang, Mr. Gong Xu Lin and Ms. Wang Xiang; and the independent non-executive Directors are Mr. Chen Wen Gui, Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying.*

*This announcement, for which the Directors collectively and individually accept full responsibility, 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 will remain on the “Latest Company Announcement” page of the GEM website for at least 7 days from the date of its publication.*

*\* for identification purpose only*