



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

上海青浦消防器材股份有限公司

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

(Stock Code: 8115)

THIRD QUARTERLY REPORT 2013

* For identification purpose only

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QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company” and its subsidiaries, collectively the “Group”) is pleased to announce the unaudited results of the Group for the nine months ended 30 September 2013 together with the unaudited comparative figures for the corresponding period in 2012, as follows:

	Notes	Unaudited Nine months ended 30 September 2013		Unaudited Three months ended 30 September 2013	
		RMB'000	2012 RMB'000 (Restated)	RMB'000	2012 RMB'000 (Restated)
Revenue	3	89,247	72,251	28,474	20,270
Cost of sales		(71,903)	(57,399)	(22,927)	(16,310)
Gross profit		17,344	14,852	5,547	3,960
Other income and gains	3	2,096	2,525	604	969
Selling and distribution costs		(2,671)	(2,342)	(883)	(122)
Administrative expenses		(10,327)	(10,805)	(3,457)	(3,881)
Profit before tax		6,442	4,230	1,811	926
Income tax	4	(1,087)	(355)	(461)	(78)
Profit for the period and total comprehensive income for the period		<u>5,355</u>	<u>3,875</u>	<u>1,350</u>	<u>848</u>
Attributable to:					
Owners of the Company		5,088	3,538	1,268	742
Non-controlling interests		267	337	82	106
Profit for the period and total comprehensive income for the period		<u>5,355</u>	<u>3,875</u>	<u>1,350</u>	<u>848</u>
Dividend	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit per share (RMB)					
– Basic (cents)	5	<u>2.7</u>	<u>1.9</u>	<u>0.7</u>	<u>0.4</u>
– Diluted (cents)		<u>2.7</u>	<u>1.9</u>	<u>0.7</u>	<u>0.4</u>

Notes:

1. GENERAL

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) as a collective enterprise under the name of Shanghai Qingpu Fire-Fighting Equipment Factory (“上海青浦消防器材廠”). In 1999, it was transformed into a limited liability company. Through a series of equity transfers and capital injections in 2000, the Company was transformed into a joint stock limited liability company on 1 December 2000 and was renamed as Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (“上海青浦消防器材股份有限公司”). The registered office of the Company is located at No. 1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC and its principal place of business in Hong Kong is situated at Unit 2605, Island Place Tower, 510 King’s Road, North Point, Hong Kong.

On 30 June 2004, 55,560,000 new H shares in the Company were issued and listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

- manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels*);
- provision of fire technology inspection services;
- manufacture and trading of iron casted grooved couplings; and
- trading of products*.

* The manufacture and sale of pressure vessels and trading of products were carried out by newly acquired subsidiaries, namely Shanghai Anthor Pressure Vessel (Group) Co., Limited during the period (please refer to note 7 for details).

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 (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 (Zhejiang Hengtai Real Estate Company Limited, “Zhejiang Hengtai”), which is a limited liability company established in the PRC.

2.1 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements of the Group have been prepared in accordance with International Accounting Standard (“IAS”) No. 34 “Interim Financial Reporting” and International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the Rules Governing the Listing of Securities on the GEM. The financial information has been prepared under the historical convention, except for investment properties that are measured at fair value.

The condensed financial statements for the three months and nine months ended 30 September 2013 are unaudited, but have been reviewed by the audit committee of the Company.

Other than the adoption of the new and revised IFRSs and the accounting policy on acquisition under common control detailed in note 2.2 as below, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

The Group has adopted certain new and revised IFRSs published by the IASB which are effective for up to the accounting year ending 31 December 2013:

IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statement – Other Comprehensive Income</i>
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associate and Joint Ventures
IFRS 10	Consolidated Financial Statement
IFRS 11	Joint Arrangement
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Government Loans</i>
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – <i>Transition Guidance</i>
Annual Improvements 2009 – 2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of these new and revised IFRSs had not had any significant impact on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

2.2 ACQUISITION UNDER COMMON CONTROL

On 7 November 2012, the Company and its subsidiary, Shanghai Liming Fire Testing Co., Limited (“Liming”), entered into a sale and purchase agreement (“Agreement”) (and an excluded interest agreement with the Vendors, Shanghai Anchor Pressure Vessel (Group) Co., Limited (“Anchor”) and Shanghai Pressure Special Gas Cylinder Co., Limited (“Special Cylinder”), a subsidiary of Anchor, as part of the transaction under the Agreement) with Liancheng and Mr. Wang Sheng, an independent third party (collectively, the “Vendors”), pursuant to which, the Company and Liming acquired from the Vendors the entire issued share capital of Anchor and its subsidiaries (collectively, the “Anchor Group”), except for the land and building situated at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai (the “Excluded Interest”) held by Special Cylinder, at a consideration of RMB 6 million (the “Acquisition”).

An Extraordinary General Meeting (the “EGM”) was held on 23 July 2013, and the independent shareholders of the Company approved all the resolutions proposed at the EGM, including the Agreement, supplemental agreements, the excluded interest agreement and the transactions contemplated under each of them.

The Acquisition was completed on 29 July 2013. The Company directly and indirectly holds an effective interest of 99% of the equity interest in Anchor.

The Acquisition is considered as a business combination under common control since the Group and the Anchor Group were under the common control of Liancheng both before and after the completion of the Acquisition.

3. TURNOVER, OTHER INCOME AND GAINS

Revenue, which is also the Group’s turnover, represents income arising from the Group’s principal activities, being 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 and trading of products, net of business tax, value-added tax, trade discounts and returns during the period.

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

	Unaudited		Unaudited	
	Nine months ended		Three months ended	
	30 September		30 September	
	2013	2012	2013	2012
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
		(Restated)		(Restated)
Revenue				
Sales of pressure vessels	63,321	64,459	19,837	17,024
Inspection service rendered	5,184	5,480	1,693	2,047
Trading of iron casted grooved couplings	8,209	–	1,969	–
Trading of products	12,533	2,312	4,975	1,199
	<u>89,247</u>	<u>72,251</u>	<u>28,474</u>	<u>20,270</u>
Other income and gains				
Interest income	37	32	11	20
Sundry income	113	214	6	141
Gross rental income	1,712	1,682	521	562
Sales of scraps	234	597	66	246
	<u>2,096</u>	<u>2,525</u>	<u>604</u>	<u>969</u>
Total revenue, other income and gains	<u><u>91,343</u></u>	<u><u>74,776</u></u>	<u><u>29,078</u></u>	<u><u>21,239</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 period (nine months ended 30 September 2012: Nil).

PRC Enterprise Income Tax has been provided at 25% on the Group's estimated assessable profits for the period (nine months ended 30 September 2012: 25%) after offsetting against the tax losses brought forward from previous years.

	Unaudited	
	Nine months ended	
	30 September	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Current tax – PRC		
Provision for the period	1,087	355

The Group did not have any material unprovided deferred tax for the nine months ended 30 September 2013 and 2012 as the temporary differences are immaterial.

5. PROFIT PER SHARE

The calculation of the basic profit per share for the nine months ended 30 September 2013 is based on the profits attributable to equity holders of the Company of approximately RMB5,088,000 (nine months ended 30 September 2012: approximately RMB3,538,000 (restated)), and on the number of 187,430,000 ordinary shares (30 September 2012: 187,430,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts for nine months ended 30 September 2012 and 2013 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 nine months ended 30 September 2013 (nine months ended 30 September 2012: Nil).

7. BUSINESS COMBINATIONS UNDER COMMON CONTROL

On 29 July 2013, the Company completed the Acquisition. As mentioned in note 2.2 to this report, the Group has applied merger accounting to account for the business combination under common control. Accordingly, the Anchor Group has been combined since 11 April 2011, the earlier of the date the Anchor Group being controlled by Liancheng and the earliest financial period presented, as if the Acquisition had occurred at that time. No significant adjustments were made to the net assets and net profit of the Anchor Group as a result of the common control combination in order to align its accounting policies with the Group.

The Anchor Group was principally engaged in the manufacturing and sale of pressure vessels and trading of products.

The reconciliation of the effect arising from the common control combination on the unaudited condensed consolidated income statement for the nine months ended 30 September 2013 and 2012 and on the unaudited total equity as at 1 January 2013 and 2012 are as follows:

Unaudited condensed consolidated income statement

For the nine months ended 30 September 2013

	The Group*	The Anchor Group	Adjustments for inter-company sales	The Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	35,203	58,476	(4,432)	89,247
Cost of sales	<u>(26,781)</u>	<u>(49,554)</u>	<u>4,432</u>	<u>(71,903)</u>
Gross profit	8,422	8,922	–	17,344
Other income and gains	1,655	614	(173)	2,096
Selling and distribution costs	(505)	(2,339)	173	(2,671)
Administrative expenses	<u>(4,072)</u>	<u>(6,255)</u>	<u>–</u>	<u>(10,327)</u>
Profit before tax	5,500	942	–	6,442
Income tax	<u>(833)</u>	<u>(254)</u>	<u>–</u>	<u>(1,087)</u>
Profit for the period	<u><u>4,667</u></u>	<u><u>688</u></u>	<u><u>–</u></u>	<u><u>5,355</u></u>
Attributable to:				
Owners of the Company	4,456	637	(5)	5,088
Non-controlling interests	<u>211</u>	<u>51</u>	<u>5</u>	<u>267</u>
	<u><u>4,667</u></u>	<u><u>688</u></u>	<u><u>–</u></u>	<u><u>5,355</u></u>

* The Group is excluded the Anchor Group (the “Qingpu Group”).

Unaudited total equity*As at 1 January 2013*

	The Group* <i>RMB'000</i>	The Anchor Group <i>RMB'000</i> (Unaudited)	Adjustments for inter-group investment <i>RMB'000</i> (Unaudited)	The Group <i>RMB'000</i> (Unaudited)
Equity				
Equity attributable to owners of the Company:				
Issued capital	18,743	70,000	(70,000)	18,743
Reserves	32,483	(43,930)	63,754	52,307
	<u>51,226</u>	<u>26,070</u>	<u>(6,246)</u>	<u>71,050</u>
Non-controlling interests	552	(1,145)	246	(347)
Total equity	<u>51,778</u>	<u>24,925</u>	<u>(6,000)</u>	<u>70,703</u>

* The Group is excluded the Anchor Group (the “Qingpu Group”).

Unaudited condensed consolidated income statement*For the nine months ended 30 September 2012*

	The Group* as previously reported <i>RMB'000</i> (Unaudited)	The Anchor Group <i>RMB'000</i> (Unaudited)	Adjustments for inter-company sales <i>RMB'000</i> (Unaudited)	The Group as restated <i>RMB'000</i> (Unaudited)
Revenue	26,233	46,018	–	72,251
Cost of sales	(20,065)	(37,334)	–	(57,399)
Gross profit	6,168	8,684	–	14,852
Other income and gains	2,217	611	(303)	2,525
Selling and distribution costs	(846)	(1,799)	303	(2,342)
Administrative expenses	(4,373)	(6,432)	–	(10,805)
Profit before tax	3,166	1,064	–	4,230
Income tax	(140)	(215)	–	(355)
Profit for the period	<u>3,026</u>	<u>849</u>	<u>–</u>	<u>3,875</u>
Attributable to:				
Owners of the Company	2,852	693	(7)	3,538
Non-controlling interests	174	156	7	337
	<u>3,026</u>	<u>849</u>	<u>–</u>	<u>3,875</u>

* The Group is excluded the Anchor Group (the “Qingpu Group”).

Unaudited total equity

As at 1 January 2012

	The Group* as previously reported RMB'000	The Anchor Group RMB'000 (Unaudited)	Adjustments for inter-group investment RMB'000 (Unaudited)	The Group as restated RMB'000 (Unaudited)
Equity				
Equity attributable to owners of the Company:				
Issued capital	18,743	70,000	(70,000)	18,743
Reserves	25,974	(44,226)	63,754	45,502
	<u>44,717</u>	<u>25,774</u>	<u>(6,246)</u>	<u>64,245</u>
Non-controlling interests	397	(1,181)	246	(538)
Total equity	<u>45,114</u>	<u>24,593</u>	<u>(6,000)</u>	<u>63,707</u>

* The Group is excluded the Anchor Group (the “Qingpu Group”).

8. 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
<i>Nine months ended 30 September 2013</i>										
As at 1 January 2013:										
- As previously reported	18,743	10,910	25,134	5,468	1,500	11,299	(21,828)	51,226	552	51,778
- Adjustment for business combination under common control	-	-	18,521	85	-	-	1,218	19,824	(899)	18,925
- As restated	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>5,553</u>	<u>1,500</u>	<u>11,299</u>	<u>(20,610)</u>	<u>71,050</u>	<u>(347)</u>	<u>70,703</u>
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	5,088	5,088	267	5,355
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(255)	(255)
As at 30 September 2013	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>5,553</u>	<u>1,500</u>	<u>11,299</u>	<u>(15,522)</u>	<u>76,138</u>	<u>(335)</u>	<u>75,803</u>
<i>Nine months ended 30 September 2012</i>										
As at 1 January 2012:										
- As previously reported	18,743	10,910	24,079	5,036	1,500	11,299	(26,850)	44,717	397	45,114
- Adjustment for business combination under common control	-	-	18,521	72	-	-	935	19,528	(935)	18,593
- As restated	<u>18,743</u>	<u>10,910</u>	<u>42,600</u>	<u>5,108</u>	<u>1,500</u>	<u>11,299</u>	<u>(25,915)</u>	<u>64,245</u>	<u>(538)</u>	<u>63,707</u>
Profit for the period and total comprehensive income for the period, (restated)	-	-	-	-	-	-	3,538	3,538	337	3,875
As at 30 September 2012, (restated)	<u>18,743</u>	<u>10,910</u>	<u>42,600</u>	<u>5,108</u>	<u>1,500</u>	<u>11,299</u>	<u>(22,377)</u>	<u>67,783</u>	<u>(201)</u>	<u>67,582</u>

BUSINESS AND FINANCIAL REVIEW

Turnover

The Group

For the nine months ended 30 September 2013, the Group recorded a turnover of approximately RMB89,247,000 (nine months ended 30 September 2012 (restated): RMB72,251,000), representing an increase of approximately 23.5% over the corresponding period of last year.

The Qingpu Group

For the nine months ended 30 September 2013, the turnover increased from approximately RMB26,233,000 to RMB35,203,000, representing an increase of approximately 34.2% over the corresponding period of last year. The increase is a result of the efforts of the sales department of the Company including the commencement of the sale of iron casted grooved coupling started from the second half of 2012.

The Anchor Group

For the nine months ended 30 September 2013, the turnover increased from approximately RMB46,018,000 to RMB58,476,000, representing an increase of approximately 27.1% over the corresponding period of last year. This is due to an increase in trading of products, which was started in the fourth quarter of 2012.

Gross profit

The Group

For the nine months ended 30 September 2013, the Group recorded overall gross profit of approximately RMB17,344,000 (nine months ended 30 September 2012 (restated): RMB14,852,000), representing an increase of approximately 16.8% over the corresponding period of last year.

The Qingpu Group

For the nine months ended 30 September 2013, the gross profit increased from approximately RMB6,168,000 to RMB8,422,000. The gross margin increased by 0.4 percentage points to 23.9% from 23.5% of corresponding period of last year. Such increase was primarily attributable to an increase in turnover as a result of the Group's improvement in control of sales cost, as well as new products/services with a higher margin. The fire technology inspection services provided a high gross margin.

The Anchor Group

For the nine months ended 30 September 2013, the gross profit increased from approximately RMB8,684,000 to RMB8,922,000, representing a decrease of 3.5 percentage points to 15.3% from 18.8% of corresponding period of last year. This is due to lower gross margin in trading of products in this period, which enhance the turnover and strengthen business competitiveness.

Other income and gains

The Group

Other income and gains for the nine months ended 30 September 2013 decreased by approximately RMB429,000 from RMB2,525,000 (restated) for the nine months ended 30 September 2012 to approximately RMB2,096,000.

The Qingpu Group

For the nine months ended 30 September 2013, other income and gains decreased from approximately RMB2,217,000 to RMB1,655,000, representing a decrease of approximately 25.3% over the corresponding period of last year. This is mainly due to a decrease in sales of scraps.

The Anchor Group

For the nine months ended 30 September 2013 and 2012, other income and gains are approximately RMB614,000 and RMB611,000 respectively.

Selling and distribution costs

The Group

For the nine months ended 30 September 2013, the Group's selling and distribution costs increased to approximately RMB2,671,000 from RMB2,342,000 (restated), representing an increase of 14.1% over the corresponding period of last year.

The Qingpu Group

For the nine months ended 30 September 2013, the selling and distribution cost decreased from approximately RMB846,000 to RMB505,000, representing a decrease of 40.3% due to the decrease in entertainment and commission. The decrease is due to the termination of the agency arrangement with the Anchor Group in June 2013.

The Anchor Group

For the nine months ended 30 September 2013, the selling and distribution cost increased from approximately RMB1,799,000 to RMB2,339,000, representing an increase of 30.0%. This is due to an significantly increase in transportation expenses in line with the increase in sales.

Administrative expenses

The Group

For the nine months ended 30 September 2013, the Group's administrative expenses amounted to approximately RMB10,327,000 (nine months ended 30 September 2012 (restated): RMB10,805,000), representing a decrease of approximately 4.4% over the corresponding period of last year.

The Qingpu Group

For the nine months ended 30 September 2013, the administrative expenses decreased from approximately RMB4,373,000 to RMB4,072,000, representing a decrease of 6.9%. This is mainly due to the cost control on administrative expenses and professional fees. The Qingpu Group has no further resumption expenses incurred since July 2013.

The Anchor Group

For the nine months ended 30 September 2013 and 2012, administrative expenses are approximately RMB6,255,000 and RMB6,432,000, respectively.

Finance costs

No finance costs were recorded for the nine months ended 30 September 2013 and 2012.

Profit for the period

For the nine months ended 30 September 2013, the Group recorded profit for the period of approximately RMB5,355,000 (nine months ended 30 September 2012 (restated): RMB3,875,000), representing an increase of approximately 38.2%, which was primary attributable to the commencement sale of iron casted grooved coupling in the second half of 2012.

Income tax

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

The EIT is calculated on the estimated assessable profits at 25% for the nine months ended 30 September 2013 after offsetting against tax losses brought forward from previous years (nine months ended 30 September 2012: 25%).

Non-controlling interests

For the nine months ended 30 September 2013 and 2012, profit for the period attributable to non-controlling interests are approximately RMB267,000 and RMB337,000 (restated), respectively.

Outlook

The Company’s fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder, with 31 specifications in total. 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 high quality of the Company’s products will enhance the competitiveness in the market.

Shanghai Anchor Pressure Vessel (Group) Co., Ltd. (上海鐵錨壓力容器(集團)有限公司) and its subsidiaries (“Anchor Group”) possesses the Manufacture Licence of Special Equipment (特種設備製造許可證) for high-pressure vessels, seamless gas cylinders, welded gas cylinders, special gas cylinders, Category I pressure vessels, and Category II low and medium pressure vessels. Such licence is issued by the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) and will expire on 24 March 2014. Anchor Group also holds the Manufacture Enterprise Licence of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use. Such licence is issued by Shanghai Food and Drug Administration (上海市食品藥品監督管理局) and will expire on 30 January 2016.

With the pressure vessel products of Anchor Group, such as boiler tubes, pressure cylinders for military use, medical use, and LPG or CNG cylinders for motor vehicles and through the acquisition, the Company will be able to expand its product range and diversify its pressure vessel business. Anchor Group also possesses some product permits, such as the Manufacture Enterprise Licence of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use, which will enable the Company to enter into the new market.

Future Plan

Measures have been and will be implemented continuously to improve the operation efficiency and to control production costs. Production will be more focused on higher-margin fire extinguishers and aluminum pressure cylinders and production of lower-margin steel pressure cylinders will be reduced to raise the overall profit margin of the Company. The Company also intend to improve the profitability of Anchor Group by increasing the operation efficiency and reducing the overhead expenses.

The Company entered into a sales framework agreement with independent third parties Jiangshan Yinjian Fire Prevention Complete Set of Equipment Co., Ltd. (江山市銀劍消防成套設備有限公司) (“Yinjian”) and Shanghai Lianmin Fire-Fighting Equipment Co., Ltd. (上海聯閔消防設備有限公司) (“Lianmin”) in November 2012 (the “Framework Agreement”). The term of the Framework Agreement commenced from the date of signing to 31 December 2015. According to the Framework Agreement, Yinjian commissioned the Company to design and develop iron casted grooved couplings for fire protection pipes (消防管道鑄鐵溝槽件) and the Company shall be the exclusive supplier of those grooved couplings to Yinjian and Lianmin. The Company can sell the grooved couplings to other third parties in addition to Yinjian and Lianmin.

The Company has extended processing agreement with Shanghai Hurong Fire Equipment Co., Ltd. (上海市滬榮消防器材有限公司) (“Hurong”) and sales orders of aluminum alloy cylinders with Shanghai Congfa Industrial Co., Ltd. (上海叢發實業有限公司) (“Congfa”) until February 2016 and December 2013 respectively.

The Company will focus more resources on the regions with high demand for its products in the PRC, such as Shanghai, Zhejiang, Jiangsu, and Guangdong.

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

As at 30 September 2013, the interests and short positions of the Directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long positions in shares of the Company

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

Notes:

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

Save as disclosed above, as at 30 September 2013, none of the Directors and supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2013, the following person (other than the Director and supervisors of the Company) has any interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares of the Company

Name of Shareholders	Capacity	Number of shares	Approximate percentage of total issued share capital
Liancheng Fire-Fighting Group Company Limited	Beneficial owner	131,870,000 (<i>Note 1</i>)	70.36%
	Held by controlled corporation	1,300,000 (<i>Note 2</i>)	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 (<i>Note 1</i>)	70.36%
	Held by controlled corporation	1,300,000 (<i>Note 2</i>)	0.69%
Mr. Zhou Jin Hui	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%
Victory Investment China Group Ltd.	Beneficial owner	16,628,000	8.87%
Chu Yuet Wah	Held by controlled corporation	16,628,000 (<i>Note 3</i>)	8.87%
Best Forth Limited	Held by controlled corporation	16,628,000 (<i>Note 3</i>)	8.87%
Ample Cheer Limited	Held by controlled corporation	16,628,000 (<i>Note 3</i>)	8.87%
Kingston Finance Limited	Person having a security interest in shares	16,628,000 (<i>Note 3</i>)	8.87%

Notes:

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

Liancheng Fire-Fighting Group Company Limited is owned as to 80% by Hengtai Real Estate, 20% by Mr. Zhou Jin Hui.

3. Kingston Finance Limited has a security interest in 16,628,000 H shares of the Company. Ample Cheer Limited, 80% of which is held by Best Forth Limited, holds 100% of Kingston Finance Limited. Chu Yuet Wah holds 100% of Best Forth Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests representing 5 percent or more in the issued shares capital of the Company as at 30 September 2013.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

To the best knowledge of the Board, 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 nine months ended 30 September 2013 had a material interest, whether directly or indirectly, subsisted at 30 September 2013 or at any time during the nine months ended 30 September 2013.

MATERIAL ACQUISITION

Other than the acquisition under common control as set out in note 2.2, the Group did not have any material acquisitions during the nine months ended 30 September 2013.

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

During the nine months ended 30 September 2013, the Company did not purchase, sell or redeem any of the Company's listed securities.

CORPORATE GOVERNANCE

Pursuant to Rule 18.44(2) and Appendix 16 of the GEM Listing Rules, the Company wish to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 15 of the GEM Listing Rules (the "Code") during the year.

(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 one non-executive Director Ms. Chai Xiao Fang and two independent non-executive Directors, namely Mr. Yang Chun Bao and Mr. Zhang Cheng Ying.

The Audit Committee has reviewed the Group's unaudited results for the nine months ended 30 September 2013 and has provided advice and comments thereon.

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

Hong Kong, 12 November 2013

As at the date of this report, the executive Directors are Mr. Zhou Jin Hui (Chairman), Mr. Gong Xu Lin and Mr. Shen Jian Zhong (Chief Executive Officer); the non-executive Directors are Ms. Chai Xiao Fang and Ms. Wang Xiang; and the independent non-executive Directors are Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying.