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**Liancheng Fire Protection Group
(Hong Kong) Company Limited**

*(a company incorporated in Hong Kong
with limited liability)*



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)

**DESPATCH OF COMPOSITE DOCUMENT
IN RELATION TO THE MANDATORY UNCONDITIONAL CASH OFFER BY
CIMB-GK SECURITIES (HK) LIMITED
AND BOCOM INTERNATIONAL (ASIA) LIMITED
ON BEHALF OF
LIANCHENG FIRE PROTECTION GROUP (HONG KONG) COMPANY LIMITED,
A WHOLLY-OWNED SUBSIDIARY OF LIANCHENG FIRE-FIGHTING GROUP
COMPANY LIMITED*
FOR ALL THE ISSUED H SHARES
IN SHANGHAI QINGPU FIRE-FIGHTING EQUIPMENT CO., LTD.*
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
LIANCHENG FIRE-FIGHTING GROUP COMPANY LIMITED* AND PARTIES
ACTING IN CONCERT WITH IT)**

Joint Financial Advisers to the Offeror



DESPATCH OF THE COMPOSITE DOCUMENT

The Composite Document containing, inter alia, details of the H Share Offer, expected timetable of the H Share Offer, a letter from CIMB-GK and BOCOM, a letter from the Board, a letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders and a letter from OSK Capital Hong Kong Limited setting out its advice to the Independent Board Committee in respect of the H Share Offer, together with the form of acceptance and transfer in respect of the H Share Offer has been despatched to the Shareholders on Tuesday, 9 June 2009.

DISCLOSURE UNDER RULE 17.10(1) OF THE GEM LISTING RULES

The information in relation to the “Material Changes” and “Litigation” of the Company as disclosed in the Composite Document was extracted below for the information of the Shareholders for the purpose of Rule 17.10(1) of the GEM Listing Rules.

BACKGROUND

Reference is made to the joint announcements dated 17 April 2009 and 8 May 2009 jointly made by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “**Company**”) and Liancheng Fire Protection Group (Hong Kong) Company Limited (the “**Offeror**”) in respect of, amongst others, the H Share Offer (the “**Joint Announcements**”). Unless the context otherwise requires, terms used herein shall have the same meanings as those defined in the joint announcement dated 17 April 2009.

DESPATCH OF THE COMPOSITE DOCUMENT

The composite document (“**Composite Document**”) containing, inter alia, details of the H Share Offer, expected timetable of the H Share Offer, a letter from CIMB-GK and BOCOM, a letter from the Board, a letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders (as defined in the Composite Document) and a letter from OSK Capital Hong Kong Limited setting out its advice to the Independent Board Committee in respect of the H Share Offer, together with the form of acceptance and transfer in respect of the H Share Offer has been despatched to the Shareholders on Tuesday, 9 June 2009.

The Independent Shareholders are encouraged to read the Composite Document carefully, including the recommendations of the Independent Board Committee and the letter of advice from OSK Capital Hong Kong Limited, before deciding whether or not to accept the H Share Offer.

EXPECTED TIMETABLE OF THE H SHARE OFFER

The following is the current expected timetable for the H Share Offer:

2009

Date of despatch of the Composite Document and the accompanying Form of Acceptance and commencement of the H Share Offer	Tuesday, 9 June
Latest time and date for acceptance of the H Share Offer (<i>Note 1</i>)	4:00 p.m. on Tuesday, 30 June
Closing date of the H Share Offer (<i>Note 2</i>)	Tuesday, 30 June
Announcement of the results of the H Share Offer posted on the Stock Exchange’s website (<i>Note 2</i>)	by 7:00 p.m. on Tuesday, 30 June
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the H Share Offer (<i>Note 3</i>)	Friday, 10 July

Notes:

1. Acceptance of the H Share Offer shall be irrevocable and not capable of being withdrawn except as permitted under the Takeovers Code.
2. The H Share Offer, which is unconditional, will be closed on 30 June 2009. An announcement will be issued through the Stock Exchange’s website by 7:00 p.m. on 30 June 2009 stating the results of the H Share Offer. The Offeror does not intend to revise the terms, or extend the period, of the H Share Offer and does not reserve the rights to do so.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in case of the H Share Offer) payable for the H Shares tendered under the H Share Offer will be posted to the Independent Shareholders by ordinary post at their own risk as soon as practicable but in any event within 10 days of the date of receipt by the Registrar (as defined in the Composite Document), of duly completed acceptance.

All reference to date and time contained in this joint announcement refer to Hong Kong time.

Further details of the timetable of the H Share Offer are set out in the Composite Document.

DISCLOSURE UNDER RULE 17.10(1) OF THE GEM LISTING RULES

The information in relation to the "Material Changes" and "Litigation" of the Company as disclosed in the Composite Document was extracted below for the information of the Shareholders for the purpose of Rule 17.10(1) of the GEM Listing Rules:

(I) MATERIAL CHANGES

As at 5 June 2009, the latest practicable date to ascertain information as disclosed in the Composite Document (the "**Latest Practicable Date**"), the Directors (in the absence of Mr. Jiang Zi Qiang ("**Mr. Jiang**")), confirm that save for as disclosed below, they are not aware of any material change in the financial or trading position or outlook of the Company subsequent to 31 December 2005, being the date to which the last published audited financial statements of the Company were made up:

- (i) According to the members of the Board (except Mr. Jiang), Mr. Jiang, the chairman of the Board, had under the name of the Company entered into certain loan agreements with several banks in 2004 and 2005 for a total loan amount of approximately RMB39 million which had never been considered, authorized or approved by the Board at the time when such agreements were respectively entered into (the "**Loan Agreements**"), and Shanghai Huasheng Enterprise (Group) Company Limited (上海華盛企業(集團)有限公司) ("**Shanghai Huasheng**") has confirmed that the total loan amount of approximately RMB39 million under the Loan Agreements (the "**Transferred Money**") had ultimately been used for the benefit of Shanghai Huasheng (which was the then controlling Shareholder) and its subsidiaries. All those transactions as contemplated under the Loan Agreements and the transfers and usage of the Transferred Money had never been considered, authorized or approved by the Board at the time when such transactions were respectively made and were not reflected in the accounting books and records or the published financial statements of the Company.

Since November 2007, the Company had made various attempts to contact Mr. Jiang, including telephone calls, physical visits or enquiry through Mr. Jiang's son but in vain. Mr. Jiang is still not contactable up to the Latest Practicable Date. Subject to the approval of the Board, the Company may take requisite legal actions against Mr. Jiang for the damages that he brought up to the Company because of his misconducts as mentioned above.

Out of the total amount of approximately RMB39 million under the Loan Agreements (the "**Jiang's Loans**"), during the period from 31 December 2005 to 31 March 2009, approximately RMB15 million of the Jiang's Loans were settled, among which, a loan of approximately RMB5 million was waived by a bank and a loan of approximately RMB10 million was settled by the Company using the proceeds from the repayment of approximately RMB10 million from Shanghai Huasheng.

Out of the remaining amount of the Jiang's Loans of RMB24 million, as at the Latest Practicable Date:

- (a) judgements had been handed down on 14 June 2007 and 18 September 2007 respectively against, among other parties, the Company in respect of the defaulted loan repayment, pursuant to the loan agreement dated 11 March 2005, entered into between Mr. Jiang under the name of the Company and Agricultural Bank of China, Shanghai Jingan branch (中國農業銀行上海市靜安支行) (“**Agricultural Bank**”). Pursuant to the aforesaid agreement, Agricultural Bank agreed to grant a loan in the principal sum of approximately RMB20 million to the Company for a period commencing from 11 March 2005 and expiring on 7 March 2006. Under the judgements, the Company was ordered to make repayment on such sum (including the principal amount of the loan, interest accrued and default interest thereon) owed by the Company under the loan agreement; and
- (b) the Company has not repaid a loan in the principal sum of approximately RMB4 million under a loan agreement dated 6 June 2005 entered into between Mr. Jiang under the name of the Company and China Construction Bank Co., Limited, Shanghai fourth branch (中國建設銀行股份有限公司上海第四支行) (“**Construction Bank**”) on the repayment due date (i.e. 3 December 2005), and as a result of such default, Construction Bank is entitled to commence legal action against the Company to demand the repayment of such sum (including the principal amount of the loan and interest accrued thereon) owed by the Company under the loan agreement dated 6 June 2005. As at the Latest Practicable Date, no legal action has been commenced against the Company by Construction Bank in respect of the aforesaid matter.

Based on the PRC Legal Opinions for the Company (as defined in the Composite Document), the Company is liable to repay the above remaining amount of the Jiang's Loans of the principal sum of approximately RMB24 million, together with interests accrued, default interest and litigation costs thereon. The Company has the rights to seek compensation from Shanghai Huasheng and/or Mr. Jiang in respect of any amount repaid by the Company.

- (ii) According to the members of the Board (except Mr. Jiang), Mr. Jiang, under the name of the Company, had entered into certain Highest Limit Guarantee and Property Pledge Agreements and/or Guarantee Agreement (the “**Security Agreements**”) with several banks during the period from December 2004 to May 2006. Pursuant to the Security Agreements, the Company, to the total extent of an aggregate sum of approximately RMB36.08 million, agrees to (i) provide the guarantees, as one of the guarantors (the “**Guarantees**”), in favour of several banks for securing the loans granted by these banks to Shanghai High Pressure Container Co. Ltd. (上海高壓容器有限公司) (“**Shanghai High Pressure**”), a subsidiary of Shanghai Huasheng; and/or (ii) pledge the land and buildings (under three Shanghai Real Estate Ownership Certificates issued by Shanghai Municipal Housing, Land and Resources Administration Bureau (上海市房屋土地資源管理局) – Hu Fang Di (Qing) Zi (2000) Di. Nos. 006606, 006607 and Hu Fang Di (Qing) Zi (2002) Di. No. 008167) owned by the Company and situated in the PRC (the “**Pledged Land and Buildings**”), in favour of several banks for securing the loans granted by these banks to Shanghai High Pressure (the “**Shanghai High Pressure's Loans**”). The total outstanding amount of

Shanghai High Pressure's Loans drawn down by Shanghai High Pressure and guaranteed by the Company amounted to approximately RMB29.446 million (before interest) as at 31 March 2009 comprises:

- (a) the outstanding sum (before interest) of approximately RMB17.366 million owed by Shanghai High Pressure under the loan agreement dated 29 December 2004, which sum is secured by the guarantee dated 29 December 2004 given by the Company, as one of the guarantors, in favour of Bank of Shanghai, Shiquan branch (上海銀行石泉支行);
- (b) the outstanding sums (before interest) totalling approximately RMB5.08 million owed by Shanghai High Pressure under two loan agreements, both dated 21 September 2005, which sum is secured by the Company's land and buildings located at No. 777 Da Jie, Chonggu Town, Qingpu District, Shanghai City, the PRC (i.e. the subject matter under the Shanghai Real Estate Ownership Certificates issued by Shanghai Municipal Housing, Land and Resources Administration Bureau (上海市房屋土地資源管理局) – Hu Fang Di (Qing) Zi (2000) Di. Nos. 006606 and 006607) under two Highest Limit Guarantee and Property Pledge Agreements executed in favour of Shanghai Rural Commercial Bank Co., Ltd. Huaxin branch (上海農村商業銀行股份有限公司華新支行) on 16 September 2005; and
- (c) the outstanding sum (to the extent of an aggregate sum of approximately RMB7 million) owed by Shanghai High Pressure under the loan agreement dated 26 May 2006 (as supplemented by the loan extension agreement dated 31 May 2007), which sum is secured by the Company's buildings and land (Lot Nos.: Qiu 5-9, Huaxing Town, Qingpu District) located at Huaxin Town, Qingpu District, Shanghai City, the PRC (i.e. the subject matter under the Shanghai Real Estate Ownership Certificates issued by Shanghai Municipal Housing, Land and Resources Administration Bureau (上海市房屋土地資源管理局) – Hu Fang Di (Qing) Zi Di No. 008167) under the two Highest Limit Guarantee and Property Pledge Agreements, both dated 24 May 2006, in favour of Hua Xia Bank Co., Ltd., Shanghai branch (華夏銀行股份有限公司上海分行).

According to the members of the Board (except Mr. Jiang), all those transactions as contemplated under the Security Agreements had never been considered, authorized or approved by the Board at the time when such transactions were respectively made and were not reflected in the accounting books and records or the published financial statements of the Company.

All the outstanding amount of the Shanghai High Pressure's Loans including principal and interests have fallen due and Shanghai High Pressure had defaulted repayment of such overdue loans drawn down by it.

As Shanghai High Pressure had failed to repay the Shanghai High Pressure's Loans in accordance with the terms of the relevant loan agreements, legal proceedings in respect of certain Shanghai High Pressure's Loans as disclosed in (a) and (b) above were commenced against, among other parties, the Company (being the guarantor and/or security provider of such certain Shanghai High Pressure's Loans) and judgement had been handed down on 8 February 2007 and 11 December 2007 respectively.

Based on the PRC Legal Opinions for the Company, the Company is required to fulfil its obligations under the Security Agreements in respect of the Shanghai High Pressure's Loans. However, the Company has the rights to seek compensation from Shanghai High Pressure and/or any other co-guarantor(s) of the relevant Shanghai High Pressure's Loans for such sum in which the co-guarantor(s) shall be held responsible (i.e. calculated on a pro-rata basis among all the guarantors for each of the Shanghai High Pressure's Loans). Alternatively, the Company has the rights to seek compensation from Mr. Jiang in respect of any actual loss suffered by the Company as a result of any payment made by the Company under each of the respective Security Agreements. To the best knowledge of the Directors (except Mr. Jiang), the borrower is negotiating the settlement terms with the lenders for a possible hair-cut both in terms of the principal amount and the interests of the above Shanghai High Pressure's Loans, the final settlement amount has not been reached as at the Latest Practicable Date. Therefore, the Company, being one of the guarantors, is unable to quantify the amount of principal together with interests and costs and the amounts were classified as the contingent liabilities instead of liabilities of the Company.

As Mr. Jiang is not contactable up to the Latest Practicable Date and there has been significant turnover of management of the Company since 31 December 2005, the Directors (except Mr. Jiang) are unable to (i) represent that all transactions entered by the Company in respect of bank borrowings up to the Latest Practicable Date have been properly included in the books and records of the Company; and (ii) estimate the amount of contingent liabilities to be borne by the Company.

- (iii) the total indebtedness and the contingent liabilities of the Company have increased substantially after 31 December 2005 (i.e. the date to which the last published audited financial statements of the Company were made up) (including those borrowings and contingent liabilities mentioned in paragraphs (i) and (ii) above);
- (iv) due to events as mentioned in paragraphs (i) and (ii) above and the lack of working capital of the Company, the Company had encountered difficulties in repaying the sums owed under the loan agreements entered into by the Company in its ordinary course of business of approximately RMB4.65 million and by Mr. Jiang under the name of the Company in the sum of approximately RMB24 million as mentioned in paragraph (i) above, fulfilling its obligations under the Security Agreements in the sum of approximately RMB29.466 million as mentioned in paragraph (ii) above and settling the amounts due to related companies of approximately RMB11.73 million as well as accounts and other payables, and had been involved in a number of litigations as set out in the section headed "II. Litigation" in this joint announcement. In addition, the land and buildings (under Shanghai Real Estate Ownership Certificates issued by Shanghai Municipal Housing, Land and Resources Administration Bureau (上海市房屋土地資源管理局) – Hu Fang Di (Qing) Zi (2000) Di. Nos. 006606, 006607, 006608 and Hu Fang Di (Qing) Zi (2002) Di. No. 008167) (the "**Frozen Properties**"), which are owned by the Company and form part of the Company's production facilities, were subject to the first freezing measures imposed by Shanghai No. 2 Intermediate People's Court (上海市第二中級人民法院). Further, amongst the Frozen Properties, the land and buildings (under Shanghai Real Estate Ownership Certificates issued by Shanghai Municipal Housing, Land and Resources Administration Bureau (上海市房屋土地資源管理局) – Hu Fang Di (Qing) Zi (2000) Di. Nos. 006607 and 006608) were subject to the second freezing measures imposed by the People's Court of Qingpu, Shanghai (上海市青浦區人民法院). As a result, the Company can only use but not transfer or mortgage the Frozen Properties;

- (v) due to the lack of working capital, significant turnover of management, the litigations against the Company, as well as the recent global economic crisis, the operations and trading activities of the Company had been significantly reduced since 31 December 2005;
- (vi) the Company may consider making material impairment or provision or write-off of inventory, accounts receivable and fixed assets;
- (vii) subject to final audit by the auditors of the Company, the recognition of the Jiang's Loans after 31 December 2005 may likely result in the recognition of the Jiang's Loans to the extent not recoverable from Shanghai Huasheng or any other parties as expenses in the income statements of the Company, and further expenses may be recognised by the Company if any of the contingent liabilities stated in paragraph (ii) above crystallises; and
- (viii) the Company had consequently become in a deficiency in net asset position; additional funding is required for the Company to continue its existing operation.

(II) LITIGATION

Save as disclosed below, as at the Latest Practicable Date, the Company is not engaged in any material litigation to which the Company is, or may become a party:

- (a) on 5 December 2006, Bank of Shanghai, Shiquan branch (上海銀行石泉支行) (“**BOS**”), as the plaintiff, commenced an action against, among other, the Company, as the 3rd defendant, in the Shanghai No. 2 Intermediate People's Court, to demand repayment for such sum owed by Shanghai High Pressure under the loan agreement dated 29 December 2004, which sum is secured by the guarantee dated 29 December 2004 given by the Company in favour of BOS (the “**BOS Guarantee**”). Judgment has been entered into under which (i) Shanghai High Pressure was ordered to repay the principal sum of approximately RMB17.366 million, together with interest accrued, default interest and litigation costs (the “**BOS Judgment Sum**”); and (ii) the Company, as one of the guarantors, was ordered to fulfil its obligation to repay the BOS Judgment Sum under the BOS Guarantee. As at the Latest Practicable Date, Shanghai High Pressure has failed to repay the BOS Judgment Sum.
- (b) on 19 December 2006, the Agricultural Bank of China, Shanghai Jingan branch (中國農業銀行上海市靜安支行) (“**ABOC**”), as the plaintiff, commenced an action against, among other, the Company, as the 1st defendant, in the Shanghai No. 2 Intermediate People's Court, to demand repayment for such sum owed by the Company under the loan agreement dated 11 March 2005. Judgment has been entered into under which the Company was ordered to make repayment on the principal sum of approximately RMB20 million, together with interest accrued, default interest and litigation costs (the “**ABOC Judgment Sum**”). As at the Latest Practicable Date, the Company has failed to repay the said judgment sum. In addition, the First Frozen Properties, the Second Frozen Properties and the Third Frozen Property (as defined below) are subject to the first freezing measures imposed by the Shanghai No. 2 Intermediate People's Court.

- (c) on 26 June 2007, Shanghai Rural Commercial Bank Co., Ltd. Chonggu branch (上海農村商業銀行股份有限公司重固支行) (“**Chonggu SRCB**”), as the plaintiff, commenced an action against the Company, as the defendant, in the People’s Court of Qingpu, Shanghai, to demand repayment for such sum owed by the Company under the loan agreement dated 19 August 2005, which sum (to the extent of approximately RMB5.55 million) is secured by the Company’s buildings and land located in the PRC (i.e. the subject matter under the Shanghai Real Estate Ownership Certificate issued by Shanghai Municipal Housing, Land and Resources Administration Bureau – Hu Fang Di (Qing) Zi (2000) Di. No. 006608) (the “**First Frozen Properties**”) pledged under the Highest Limit Guarantee and Property Pledge Agreement executed in favour of Chonggu SRCB on 19 August 2005. Judgment has been entered into under which (i) the Company was ordered to repay the principal sum of approximately RMB4.73 million, together with default interest and litigation costs (the “**Chonggu SRCB Judgment Sum**”); and (ii) if the Company is in default in making the aforesaid payments, Chonggu SRCB is entitled to take priority in settling the Chonggu SRCB Judgment Sum from the proceeds of selling the First Frozen Properties. As at the Latest Practicable Date, out of the Chonggu SRCB Judgment Sum, the Company has only repaid approximately RMB80,000 and the outstanding amount to be repaid is approximately RMB4.65 million. In addition, the First Frozen Properties are subject to the second freezing measures imposed by the People’s Court of Qingpu, Shanghai.
- (d) on 23 August 2007, Shanghai Rural Commercial Bank Co., Ltd. Huaxin branch (上海農村商業銀行股份有限公司華新支行) (“**Huaxin SRCB**”), as the plaintiff, commenced an action against, among other, the Company, as the 2nd defendant, in the People’s Court of Qingpu, Shanghai, to demand repayment for two sums owed by Shanghai High Pressure under two loan agreements, both dated 21 September 2005, which sum is secured by the Company’s buildings and land located in the PRC (i.e. the subject matter under the Shanghai Real Estate Ownership Certificates issued by Shanghai Municipal Housing, Land and Resources Administration Bureau (上海市房屋土地資源管理局) – Hu Fang Di (Qing) Zi (2000) Di. Nos. 006606 and 006607) (the “**Second Frozen Properties**”) under two Highest Limit Guarantee and Property Pledge Agreements executed in favour of Huaxin SRCB on 16 September 2005. Judgment has been entered into under which (i) Shanghai High Pressure was ordered to repay the principal sum of approximately RMB5.08 million, together with interest accrued, default interest and litigation costs (the “**Huaxin SRCB Judgment Sum**”), and (ii) if Shanghai High Pressure is in default in making the aforesaid payments, Huaxin SRCB is entitled to take priority in settling the Huaxin SRCB Judgment Sum from the proceeds of selling the Second Frozen Properties. As at the Latest Practicable Date, Shanghai High Pressure has failed to repay the Huaxin SRCB Judgment Sum. In addition, the land and buildings under the Shanghai Real Estate Ownership Certificate issued by Shanghai Municipal Housing, Land and Resources Administration Bureau (上海市房屋土地資源管理局) – Hu Fang Di (Qing) Zi (2000) Di. No. 00607 is subject to the second freezing measures imposed by the People’s Court of Qingpu, Shanghai.
- (e) on 22 August 2008, Ningbo Yongchang Steel Pipe Company Limited (寧波甬昌鋼管有限公司) (“**Yongchang**”), as the plaintiff, commenced an action against the Company, as the defendant, in the People’s Court of Qingpu, Shanghai, for default in the payment of the goods sold to the Company in the sum of RMB301,860.50, together with interest accrued thereof. Judgment had been entered into under which the Company was ordered to pay RMB301,860.50, together with interest accrued thereof and litigation costs (the “**Yongchang Judgment Sum**”). As at the Latest Practicable Date, the Company has failed to pay the Yongchang Judgment Sum.

- (f) on 9 October 2008, Taicang Tiancheng Metal Surface Material Company Limited (太倉天誠金屬表面材料有限公司) (“**Tiancheng**”), as the plaintiff, commenced an action against the Company, as the defendant, in the People’s Court of Qingpu, Shanghai, for default in the payment of the goods sold to the Company in the sum of RMB98,658.03, together with interest accrued thereof. Judgment has been entered into under which the Company was ordered to pay RMB98,658.03, together with interest accrued thereof and litigation costs (the “**Tiancheng Judgment Sum**”). As at the Latest Practicable Date, the Company has failed to pay the Tiancheng Judgment Sum.
- (g) on 8 January 2009, Shanghai Pengcheng Packing Materials Factory (上海鵬程箱包製品廠) (“**Shanghai Pengcheng**”), as the plaintiff, commenced an action against the Company, as the defendant, in the People’s Court of Fengxian District, Shanghai (上海市奉賢區人民法院), for default in the payment of processing fee for the paper boxes supplied to the Company in the sum of RMB63,078.94. Judgment had been entered into under which the Company was ordered to pay RMB63,078.94 and litigation costs (the “**Shanghai Pengcheng Judgment Sum**”). As at the Latest Practicable Date, the Company has failed to pay the Shanghai Pengcheng Judgment Sum.
- (h) on 29 April 2009, Shanghai Kuaiqun Hardware Company Limited (上海快群五金機電有限公司) (“**Shanghai Kuaiqun**”), as the plaintiff, commenced an action against the Company, as the defendant, in the People’s Court of Qingpu, Shanghai, for default in the payment of goods sold to the Company in the sum of RMB63,969, together with interest accrued thereof. The hearing of the aforesaid litigation claim is scheduled to be held on 8 June 2009 and as at the Latest Practicable Date, no judgment has been entered into.
- (i) under two Highest Limit Property Pledge Agreements, both dated 24 May 2006 executed in favour of Hua Xia Bank Co., Ltd., Shanghai branch (華夏銀行股份有限公司上海分行) (“**Hua Xia**”), the Company agreed to pledge its building and land located in the PRC (i.e. the subject matter under the Shanghai Real Estate Ownership Certificate issued by Shanghai Municipal Housing, Land and Resources Administration Bureau (上海市房屋土地資源管理局) – Hu Fang Di (Qing) Zi Di No. 008167) (the “**Third Frozen Property**”) for securing the sum (to the extent of an aggregate sum of approximately RMB7 million) owed by Shanghai High Pressure under the loan agreement dated 26 May 2006 (as supplemented by the loan extension agreement dated 31 May 2007) (the “**Hua Xia Loan Agreement**”). In default of the terms of the Hua Xia Loan Agreement, Shanghai High Pressure has failed to repay the loan owed to Hua Xia, and as a result of such default, Hua Xia is entitled to commence legal action against the Company for enforcing the two Highest Limit Property Pledge Agreements, both dated 24 May 2006. The right of enforcing the said two Highest Limit Property Pledge Agreements in respect of such sum (to the extent of an aggregate sum of approximately RMB7 million) owed by Shanghai High Pressure under the loan agreement dated 26 May 2006 was subsequently assigned by Hua Xia to China Great Wall Asset Management Corporation, Shanghai Office (中國長城資產管理公司上海辦事處). As at the Latest Practicable Date, no enforcement action has been commenced against the Company in respect of the aforesaid matter.

- (j) as at the Latest Practicable Date, the Company has failed to repay the loan of approximately RMB4 million owed to China Construction Bank Co., Limited, Shanghai fourth branch (中國建設銀行股份有限公司上海第四支行) (“**Construction Bank**”) under the loan agreement dated 6 June 2005 entered into between the Company and the Construction Bank on the repayment date (i.e. 3 December 2005), and as a result of such default, Construction Bank is entitled to commence legal action against the Company for demanding the repayment of such sum (including the principal amount of the loan and interest accrued thereon) owed by the Company under the loan agreement dated 6 June 2005 (the “**Construction Bank Outstanding Sum**”). As at the Latest Practicable Date, no legal action has been commenced against the Company by Construction Bank in respect of the aforesaid matter.

Based on the PRC Legal Opinions for the Company, the Company is liable to settle the ABOC Judgment Sum, and is liable to repay the Construction Bank Outstanding Sum. However, the Company has the rights to seek compensation from Shanghai Huasheng and/or Mr. Jiang in respect of any amount repaid by the Company. As at the Latest Practicable Date, no legal action has been taken by the Company to seek compensation in respect of the ABOC Judgment Sum and the Construction Bank Outstanding Sum. However, the present Board expects that the Company may consider taking appropriate legal actions against the relevant parties after the change of the composition of the Board upon completion of the H Share Offer.

Based on the PRC Legal Opinions for the Company, the Company is required to fulfill its obligations under the Security Agreements in respect of the Shanghai High Pressure’s Loans. However, the Company has the rights to seek compensation from Shanghai High Pressure and/or any other co-guarantor(s) of the relevant Shanghai High Pressure’s Loans for such sum in which the co-guarantor(s) shall be held responsible (i.e. calculated on a pro-rata basis among all the guarantors for each of the Shanghai High Pressure’s Loans). Alternatively, the Company has the rights to seek compensation from Mr. Jiang in respect of any actual loss suffered by the Company as a result of any payment made by the Company under each of the respective Security Agreements. As at the Latest Practicable Date, the Company has not yet fulfilled its obligations under the Security Agreements by making any payment to the relevant banks, and thus no legal action has been taken by the Company to seek compensation from the relevant parties for any amount paid by the Company under the Security Agreements. However, if any payment is made by the Company under the Security Agreements, the Board may consider taking appropriate legal actions against the relevant parties after the change of the composition of the Board upon completion of the H Share Offer.

Given the current financial status of the Company and the fact that there has been a significant turnover of management of the Company, the present Board expects that the Company may consider taking appropriate legal actions against Mr. Jiang after the change of the Board upon completion of the H Share Offer.

By order of the sole Director of
Liancheng Fire Protection Group
(Hong Kong) Company Limited
Zhou Jin Hui
Director

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

Hong Kong, 9 June 2009

As at the date of this joint announcement, the executive Directors are Mr. Jiang Zi Qiang, Mr. Liu Zhu Gen and Mr. Chen Yun, the non-executive Directors are Mr. Jiang Zhou, Mr. Li Zheng Li, Mr. Zhao Shu Guang, Mr. Chen Zhen Qiang and Ms. Li Min Zhi and the independent non-executive Directors are Mr. Chen Wen Gui, Mr. Yang Chun Bao and Mr. Wang Guo Zhong.

This joint 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 (save for Mr. Jiang Zi Qiang who was not contactable to give his comment on this joint announcement prior to its release), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this joint announcement (other than those relating to Liancheng HK, Liancheng and their associates) is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement (other than those relating to Liancheng HK, Liancheng and their associates) in this joint announcement misleading; and (3) all opinions (other than those expressed by Liancheng HK, Liancheng and their associates) expressed in this joint announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable. The Company made various attempts by telephone call, physical visit or enquiry through Mr. Jiang Zi Qiang's son to contact Mr. Jiang Zi Qiang since November 2007 but in vain.

Mr. Zhou Jin Hui, the sole director of the Offeror, and the directors of Liancheng (including Mr. Zhou Jin Hui, Mr. Rao Jun Xi, Mr. Zhou Jin Feng, Mr. Wang Ren You and Mr. Zheng Yi Song) jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than those relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Company) not contained in this joint announcement the omission of which would make any statement in this joint announcement misleading.

This joint 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*