



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

上海青浦消防器材股份有限公司

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

**(Stock Code: 8115)**

## **FIRST QUARTERLY REPORT 2016**

\* *For identification purpose only*

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### *Executive Directors*

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

#### *Independent Non-Executive Directors*

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

### **AUDIT COMMITTEE**

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

### **AUTHORISED REPRESENTATIVE**

Mr. Chan Chi Wai Benny  
Mr. Shi Hui Xing

### **COMPANY SECRETARY**

Mr. Chan Chi Wai Benny

### **AUDITORS**

Ascenda Cachet CPA Limited

### **PRINCIPAL BANKERS**

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

### **H SHARE SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **REGISTERED OFFICE**

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

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

## QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company”, and together with its subsidiaries, collectively the “Group”) is pleased to announce the unaudited results of the Group for the three months ended 31 March 2016 together with the unaudited comparative figures for the corresponding period in 2015, as follows:

		<b>Unaudited</b>	
		<b>Three months ended 31 March</b>	
		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	<b>20,378</b>	23,140
Cost of sales		<b>(16,639)</b>	(18,884)
Gross profit		<b>3,739</b>	4,256
Other income and gains	3	<b>459</b>	301
Selling and distribution expenses		<b>(771)</b>	(715)
Administrative expenses		<b>(4,200)</b>	(4,594)
Finance cost		<b>(8)</b>	–
Loss before tax		<b>(781)</b>	(752)
Income tax expense	4	<b>(208)</b>	(342)
Loss for the period and total comprehensive loss for the period		<b>(989)</b>	(1,094)
Attributable to:			
Owners of the Company		<b>(765)</b>	(321)
Non-controlling interests		<b>(224)</b>	(773)
		<b>(989)</b>	(1,094)
Dividend	6	–	–
Loss per share (RMB)			
— Basic (cents)	5	<b>(0.41)</b>	(0.17)
— Diluted (cents)		<b>(0.41)</b>	(0.17)

*Notes:*

## **1. GENERAL**

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) and 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;
- trading of sanitary-ware and other products;
- sales of aquarium products; and
- marine fire-fighting equipment installation and inspection.

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

## **2. PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed financial statements of the Group have been prepared in accordance with International 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 which are measured at fair value.

The condensed financial statements for the three months ended 31 March 2016 are unaudited, but have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015.

### 3. TURNOVER, OTHER INCOME AND GAINS

Revenue, 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, trading of iron casted grooved couplings, sales of aquarium products, trading of sanitary-ware and other products and commission income, and installation and sales of marine fire-fighting equipment and provision of inspection services, 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:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>		
Sales of pressure vessels	<b>11,551</b>	19,053
Inspection service fees	<b>2,439</b>	2,433
Sales of aquarium products	<b>978</b>	–
Commission income on trading of sanitary-ware and other products	<b>2,849</b>	1,654
Sales of marine fire-fighting equipment and inspection fees	<b>2,561</b>	–
	<b>20,378</b>	23,140
<b>Other income and gains</b>		
Interest income	<b>9</b>	11
Gross rental income	<b>425</b>	265
Sales of scraps	<b>25</b>	25
	<b>459</b>	301
Total revenue, other income and gains	<b>20,837</b>	23,441

#### 4. INCOME TAX

No provision for Hong Kong profits tax have been made as the Group had no assessable profits arising in Hong Kong during the period (three months ended 31 March 2015: Nil). Under the Corporate Income Tax Law, the corporate income tax (“CIT”) rate is calculated at a rate of 25% (three months ended 31 March 2015: 25%) on the Group’s estimated assessable profits for the period ended 31 March 2016.

Under the Corporate Income Tax Law, the CIT rate applicable to small-scale enterprises with low profitability that meet certain conditions shall be reduced to 20%. One of the Company’s subsidiaries has been designated as a small-scale enterprise. Pursuant to the notice of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, the CIT rate is calculated at a rate of 20% on the 50% assessable profits generated by this subsidiary for the period ended 31 March 2016.

Another subsidiary of the Group had been designated as a small-scale enterprise and was subject to the concessionary tax rate of 1%, i.e. at a rate of 25% on 4% of its revenue, for the period ended 31 March 2016.

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Current tax — PRC		
Provision for the period	<b>208</b>	<b>342</b>

The Group did not have any material unprovided deferred tax for the three months ended 31 March 2016 and 2015 as the temporary differences are immaterial.

#### 5. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31 March 2016 is based on the loss attributable to equity holders of the Company of approximately RMB765,000 (three months ended 31 March 2015: RMB321,000), and on the number of 187,430,000 ordinary shares (31 March 2015: 187,430,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts for the three months ended 31 March 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

#### 6. DIVIDEND

No dividend have been paid or declared by the Group during the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

## 7. EQUITY

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Discretionary common reserve fund RMB'000	Asset revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016	18,743	10,910	43,655	6,443	1,500	11,299	(7,474)	85,076	(378)	84,698
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	-	(765)	(765)	(224)	(989)
As at 31 March 2016	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>6,443</u>	<u>1,500</u>	<u>11,299</u>	<u>(8,239)</u>	<u>84,311</u>	<u>(602)</u>	<u>83,709</u>
As at 1 January 2015:	18,743	10,910	43,655	6,238	1,500	11,299	(6,199)	86,146	(1,645)	84,501
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	-	(321)	(321)	(773)	(1,094)
As at 31 March 2015	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>6,238</u>	<u>1,500</u>	<u>11,299</u>	<u>(6,520)</u>	<u>85,825</u>	<u>(2,418)</u>	<u>83,407</u>

## 8. RELATED PARTY TRANSACTIONS

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

	Unaudited Three months ended 31 March 2016 RMB'000		2015 RMB'000
<b>Sales of goods</b>			
上海石化消防工程有限公司 (literally translated as “Shanghai Petro-Chemical Fire-fighting Engineering Company Limited”, “SPFE”)	85		61
上海聯滙消防器材有限公司 (literally translated as “Shanghai Lianhu Fire-fighting Equipment Company Limited”, “SLFE”)	104		18
	<u>189</u>		<u>79</u>
	Unaudited Three months ended 31 March 2016 RMB'000		2015 RMB'000
<b>Services income</b>			
SPFE	-		34

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



## **BUSINESS AND FINANCIAL REVIEW**

### **Turnover**

For the three months ended 31 March 2016, the Group recorded a turnover of approximately RMB20,378,000 (three months ended 31 March 2015: RMB23,140,000), representing a decrease of approximately 12% over the corresponding period of last year because customers stop ordering or ordering less due to the weak economic environment in China.

### **Gross profit**

For the three months ended 31 March 2016, the Group recorded overall gross profit of approximately RMB3,739,000 (three months ended 31 March 2015: RMB4,256,000). The gross profit ratio is approximately 18% for the three months ended 31 March 2016 and 2015.

### **Other income and gains**

Other income and gains for the three months ended 31 March 2016 increased by approximately RMB158,000 from RMB301,000 for the three months ended 31 March 2015 to approximately RMB459,000. This is mainly due to increase in rental income.

### **Selling and distribution expenses**

For the three months ended 31 March 2016, the Group's selling and distribution expenses increased to approximately RMB771,000 from RMB715,000, representing an increase of 8% over the corresponding period of last year. This is mainly because of the increase in marketing expenses in selling of aquarium products.

### **Administrative expenses**

For the three months ended 31 March 2016, the Group's administrative expenses amounted to approximately RMB4,200,000 (three months ended 31 March 2015: RMB4,594,000), representing a decrease of approximately 9% over the corresponding period of last year. The decrease was mainly attribute to tight control on administrative expenses.

### **Finance costs**

For the three months ended 31 March 2016, the Group's finance cost was RMB8,000 (three months ended 31 March 2015: Nil).

## **Loss for the period**

For the three months ended 31 March 2016, the Group recorded a loss for the period of approximately RMB989,000 (three months ended 31 March 2015: loss RMB1,094,000). The loss was primary attributable to decrease in sales because of the weak economic environment in China.

## **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 three months ended 31 March 2016 (three months ended 31 March 2015: 25%).

The effective tax rate of the Group is 27% for the three months ended 31 March 2016 (three months ended 31 March 2015: 45%). It is due to a net loss in a subsidiary offset net profits arising from other subsidiaries of the Group.

## **Non-controlling interests**

For the three months ended 31 March 2016, loss for the period attributable to non-controlling interests is approximately RMB224,000 (three months ended 31 March 2015: loss RMB773,000).

## **PROSPECT**

The Company’s fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Company can meet the diversified needs of the customers. In addition, the Company’s fire extinguishers for non-marine use are granted the Certificate for Product Type Approval by the CCCF and its fire extinguishers for marine use are granted the Certificates of Type Approval by the China Classification Society, Shanghai Branch (“CCS”). The Company’s pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the USA and the European Union.

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 products and production of lower-margin products will be reduced to raise the overall profit margin of the Company. With the economic uncertainties continue to grow in China in 2016, the Company will continue to improve the profitability of the Group by increasing the operation efficiency and reducing the overhead expenses.

## LONG TERM STRATEGY

We believe that the Company, with our experienced management team, firm and clear development directions, the manufacturing of quality products and the provision of quality services, will be able to sharpen our competitive edge. The Company will continue to develop new market of higher-margin products/businesses and also prudently consider acquiring relevant enterprises which possess sound profitability by way of capital increment in accordance with the relevant laws and regulations in order to accelerate the growth of our profitability so that the Company will become a major enterprise in the manufacturing and sale of fire-fighting equipment and relevant business in the PRC and overseas. The Group is also actively seeking for opportunity to further reduce overhead expenses and maximize production efficiency.

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

As at 31 March 2016, the interests and short positions of the Directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

### Long positions in shares of the Company

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

#### *Note:*

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 31 March 2016, none of the Directors and supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2016, the following persons (other than the Director and supervisors of the Company) have interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

### Long positions in shares of the Company

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

#### Notes:

- All represent domestic shares of the Company.
- Liancheng Fire-Fighting Group Company Limited ("Liancheng") hold 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. ("Hengtai") 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 is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

- The board of directors of the Company has been notified that, an aggregate of 131,870,000 domestic shares of the Company (the "Pledged Shares") held by Liancheng Fire-Fighting Group Company Limited ("Liancheng"), the Company's controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited), have been pledged on 20 January 2016 in favour of an independent third party (the "Lender") as a security for a loan amount of RMB199,000,000 provided by the Lender to Liancheng. Relevant shares pledge registration procedures have been completed with China Securities Depository and Clearing Corporation Limited. As of 20 January 2016 and the date of this report, the Pledged Shares represent approximately 70.36% and 100% of the issued share capital and domestic shares of the Company, respectively.

Save as disclosed above, the Company has not been notified of any other relevant interests representing 5 percent or more in the issued shares capital of the Company as at 31 March 2016.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

To the best knowledge of the Board, save as disclosed in note 8 of this report, no contracts of significance in relation to the Company's business to which the Company was a party and in which any persons who were Directors and supervisors of the Company during the three months ended 31 March 2016 had a material interest, whether directly or indirectly, subsisted at 31 March 2016 or at any time during the three months ended 31 March 2016.

## **MATERIAL ACQUISITION**

In February 2016, the Company had acquired 上海安航海上消防設備有限公司 (Shanghai An Hang Marine Fire-Fighting Equipment Co., Ltd.\*) ("Shanghai An Hang"). Shanghai An Hang is one of the few marine fire-fighting equipment installation companies that are licensed and approved with certificates to operate in Shanghai, the PRC. It is a legal requirement in Shanghai, the PRC, that installation of marine fire-fighting equipment and system must be approved by 中國船級社 (China Certification Society\*) and 中國漁業船舶檢驗局 (Register of Fishing Vessel of the PRC\*). In addition, all marine fire-fighting equipment and system that had been installed are required to undergo annual inspection by an approved company with proper certification. Profits margin of Shanghai An Hang can be increased after the Acquisition by allocating all assembling works to the Company's factory and the Acquisition will enable the Company to extend its current business from manufacturing of fire-fighting equipment products, fire-fighting testing and trading into other fire-fighting related business. The Company can also share the customers base of Shanghai An Hang aiming at selling more fire-fighting product in the future.

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

During the three months ended 31 March 2016, the Company did not purchase, sell or redeem any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

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

### **(1) Corporate Governance Practices**

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

### **(2) Directors’ Securities Transactions**

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

## **AUDIT COMMITTEE**

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

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

The Audit Committee has reviewed the Group’s unaudited results for the three months ended 31 March 2016 and has provided advice and comments thereon.

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

10 May 2016