



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)**

## **INTERIM 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

## **INTERIM RESULTS (UNAUDITED)**

The Board of Directors (the “Board”) of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the “Company”, together with its subsidiaries, collectively the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2016. For the six months ended 30 June 2016, the unaudited revenue is approximately RMB39,764,000, representing a decrease of approximately RMB181,000 or approximately 0.5% as compared with that of the same period in 2015. The Group has recorded a loss of approximately RMB1,073,000 for the six months ended 30 June 2016 representing a turn from profit of approximately RMB102,000 for the corresponding period in 2015.

The unaudited condensed consolidated financial statements of the Group for the three months and six months ended 30 June 2016 together with the unaudited comparative figures for the corresponding period in 2015 are as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**

	<i>Notes</i>	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016	2015	2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	<b>19,386</b>	16,805	<b>39,764</b>	39,945
Cost of sales		<b>(14,533)</b>	(12,318)	<b>(31,172)</b>	(31,202)
Gross profit		<b>4,853</b>	4,487	<b>8,592</b>	8,743
Other income and gains	4	<b>77</b>	803	<b>536</b>	1,104
Selling and distribution expenses		<b>(873)</b>	(780)	<b>(1,644)</b>	(1,495)
Administrative expenses		<b>(3,762)</b>	(2,807)	<b>(7,962)</b>	(7,401)
Finance cost		<b>(129)</b>	–	<b>(137)</b>	–
(Loss)/profit before tax	5	<b>166</b>	1,703	<b>(615)</b>	951
Income tax expense	6	<b>(250)</b>	(507)	<b>(458)</b>	(849)
(Loss)/profit for the period and total comprehensive (loss)/income for the period		<b>(84)</b>	1,196	<b>(1,073)</b>	102
Attributable to:					
Owners of the Company		<b>(197)</b>	1,176	<b>(962)</b>	855
Non-controlling interests		<b>113</b>	20	<b>(111)</b>	(753)
		<b>(84)</b>	1,196	<b>(1,073)</b>	102
(Loss)/earnings per share attributable to ordinary equity holders of the Company	8				
— Basic ( <i>RMB cent(s)</i> )		<b>(0.11)</b>	0.63	<b>(0.51)</b>	0.46
— Diluted ( <i>RMB cent(s)</i> )		<b>(0.11)</b>	0.63	<b>(0.51)</b>	0.46

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>Unaudited As at 30 June 2016 RMB'000</b>	<b>Audited As at 31 December 2015 RMB'000</b>
<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	15,221	15,809
Investment properties	22,630	22,630
Prepaid land lease payments	113	115
Intangible assets	1,665	1,755
Goodwill	4,211	–
Trade receivables	4,791	–
	<b>48,631</b>	40,309
<b>CURRENT ASSETS</b>		
Inventories	13,979	13,646
Trade and bills receivables	39,123	25,820
Prepayments, deposits and other receivables	8,706	11,078
Due from fellow subsidiaries	1,168	1,168
Cash and bank balances	20,042	28,499
	<b>83,018</b>	80,211
<b>CURRENT LIABILITIES</b>		
Trade payables	12,396	7,910
Other payables and accruals	6,489	7,191
Due to the immediate holding company	906	906
Due to non-controlling interest	1,451	1,451
Due to a related company	2,798	2,798
Interest-bearing bank borrowing	10,000	2,490
Tax payable	951	43
	<b>34,991</b>	22,789
<b>NET CURRENT ASSETS</b>	<b>48,027</b>	57,422
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>96,658</b>	97,731

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><b>96,658</b></u>	<u>97,731</u>
<b>NON-CURRENT LIABILITIES</b>			
Loan from the immediate holding company	<i>12</i>	<b>7,800</b>	7,800
Deferred tax liabilities		<u><b>5,233</b></u>	<u>5,233</u>
Total non-current liabilities		<u><b>13,033</b></u>	<u>13,033</u>
Net assets		<u><b>83,625</b></u>	<u>84,698</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital		<b>18,743</b>	18,743
Reserves		<u><b>65,371</b></u>	<u>66,333</u>
		<b>84,114</b>	85,076
Non-controlling interests		<u><b>(489)</b></u>	<u>(378)</u>
Total equity		<u><b>83,625</b></u>	<u>84,698</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Issued capital RMB'000	Share premium* RMB'000	Capital reserve* RMB'000	Discretionary			Accumulated losses* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
				Statutory	common	Asset				
				reserve fund* RMB'000	reserve fund* RMB'000	revaluation reserve* RMB'000				
<i>Six months ended 30 June 2016</i>										
Balance 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	-	-	-	-	-	-	(962)	(962)	(111)	(1,073)
Balance at 30 June 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>(8,436)</u>	<u>84,114</u>	<u>(489)</u>	<u>83,625</u>
<i>Six months ended 30 June 2015</i>										
Balance at 1 January 2015	18,743	10,910	43,655	6,238	1,500	11,299	(6,199)	86,146	(1,645)	84,501
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	855	855	(753)	102
Balance at 30 June 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>(5,344)</u>	<u>87,001</u>	<u>(2,398)</u>	<u>84,603</u>

\* These reserve accounts comprise the consolidated reserves of approximately RMB65,371,000 (30 June 2015: RMB68,258,000) in the condensed consolidated statement of financial position.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net cash flows used in operating activities	<b>(9,979)</b>	(3,065)
Net cash flows used in investing activities	<b>(5,988)</b>	(64)
Net cash flows from financing activities	<b>7,510</b>	–
Net decrease in cash and cash equivalents	<b>(8,457)</b>	(3,129)
Cash and cash equivalents at beginning of period	<b>28,499</b>	36,211
Cash and cash equivalents at end of period	<b>20,042</b>	33,082

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 limited liability company on 1 December 2000. It 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 (the “Stock Exchange”).

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

- manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);
- provision of fire technology inspection services;
- manufacture and trading of iron casted grooved couplings;
- marine fire-fighting equipment installation and inspection;
- trading of sanitary-ware and other products; and
- sale of aquarium products.

Installation and inspection of marine fire-fighting equipment business was commenced during the year through an acquisition of a subsidiary.

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 consolidated 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 of the Stock Exchange of Hong Kong Limited (“GEM Listing Rules”). The financial information has been prepared under the historical convention, except for investment properties that are measured at fair value.

Other than the adoption of the accounting policies and the new and revised IFRSs 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 2015.

### ***New and revised IFRSs***

In the current interim period, the Group has adopted, for the first time, the following new and revised standards and interpretations (the “new and revised IFRSs”) published by the IASB which are effective for up to the accounting year ending 31 December 2016:

Amendments to IAS 19	Defined Benefit Plans: Employee Contribution
Annual Improvements 2010 – 2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of IFRSs
Amendments to IAS 1	Disclosure Initiative
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12, and IAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012 – 2014 Cycle	Amendments to a number of IFRSs

The adoption of these new and revised IFRSs had not had any significant impact on the results and financial position of the Group.

### ***Issued but not yet effective International Financial Reporting Standards***

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

IFRS 9	Financial Instrument <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
IFRS 16	Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual period beginning on or after 1 January 2019

The Group is in the process of assessing the impact of these standards, amendments and interpretations on the consolidated financial statements of the Group. The adoption of the above is not expected to have a material impact on the consolidated financial statements of the Group.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six (six months end 30 June 2015: five) reportable operating segments as follows:

- (i) Fire-fighting equipment segment — manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);
- (ii) Inspection services segment — provision of fire technology inspection services;
- (iii) Trading segment — trading of sanitary-ware and other products and commission income;
- (iv) Aquarium products segment — sale of aquarium products;
- (v) Marine fire-fighting segment — marine fire-fighting equipment installation and inspection; and
- (vi) Property investment segment — invests in office building and industrial properties for its rental income potential.

The marine fire-fighting segment was commenced during the period through an acquisition of a subsidiary.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and finance costs, as well as head office and corporate expenses are excluded from such measurement.

The Group operates principally in the PRC. Over 90% of the Group's revenue is derived from sales of goods and rendering of services in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, no further disclosures by reportable segments based on geographical segment were made.

Segment liabilities exclude amount due to/loan from immediate holding company, tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

**Six months ended 30 June 2016**  
**(Unaudited)**

	Fire fighting equipment RMB'000	Marine fire-fighting RMB'000	Inspection services RMB'000	Aquarium products RMB'000	Trading RMB'000	Property investment RMB'000	Total RMB'000
<b>Segment revenue:</b>							
Sales/services provided to external customers	23,033	3,778	5,706	2,448	4,799	-	39,764
Gross rental income	-	-	-	-	-	425	425
	<u>23,033</u>	<u>3,778</u>	<u>5,706</u>	<u>2,448</u>	<u>4,799</u>	<u>425</u>	<u>40,189</u>
<b>Segments results</b>	(2,437)	267	1,335	5	800	425	395
Reconciliation:							
Corporate and unallocated expenses							(1,010)
(Loss) before tax							<u>(615)</u>
Segment assets	74,291	7,188	12,753	4,533	10,254	22,630	131,649
Unallocated assets							-
Total assets							<u>131,649</u>
Segment liabilities	15,998	5,029	1,097	510	-	-	22,634
Unallocated liabilities							25,390
Total liabilities							<u>48,024</u>
Capital expenditure*	-	-	-	-	95	-	95
Depreciation and amortisation	<u>481</u>	<u>101</u>	<u>-</u>	<u>180</u>	<u>-</u>	<u>-</u>	<u>762</u>

**Six months ended 30 June 2015**  
**(Unaudited)**

	Fire fighting equipment RMB'000	Inspection services RMB'000	Trading RMB'000	Property investment RMB'000	Total RMB'000
<b>Segment revenue:</b>					
Sales/services provided to external customers	26,871	5,336	7,738	–	39,945
Gross rental income	–	–	–	732	732
	<u>26,871</u>	<u>5,336</u>	<u>7,738</u>	<u>732</u>	<u>40,677</u>
<b>Segments results</b>	1,267	2,673	3,309	695	7,944
Reconciliation:					
Corporate and unallocated expenses					<u>(6,993)</u>
Profit before tax					<u>951</u>
Segment assets	75,210	2,182	12,556	27,140	117,088
Unallocated assets					<u>–</u>
Total assets					<u>117,088</u>
Segment liabilities	13,297	228	–	–	13,525
Unallocated liabilities					<u>18,960</u>
Total liabilities					<u>32,485</u>
Capital expenditure*	56	–	–	–	56
Depreciation and amortisation	<u>620</u>	<u>96</u>	<u>–</u>	<u>–</u>	<u>716</u>

\* Capital expenditure consists of additions to property, plant and equipment.

**Information about a major customer**

For the six months ended 30 June 2016, there was no revenue from sales to any single external customer that contributed over 10% of the Group's total revenue. For the six months ended 30 June 2015, revenue from transactions with a single external customer of approximately RMB7,738,000, which represented more than 10% of the Group's revenue, was derived from trading of products segment. This customer is an independent third party.

#### 4. REVENUE, 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 products), provision of fire technology inspection services, trading of iron casted grooved couplings, sale of aquarium products, commission income from trading of sanitary-ware and other products and marine fire-fighting equipment installation and inspection, 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 Three months ended 30 June		Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
<b>Revenue</b>				
Sale of pressure vessels	11,482	7,818	23,033	26,871
Inspection service fees	3,267	2,903	5,706	5,336
Trading of sanitary-ware and other products	–	5,880	–	5,880
Commission income on trading of sanitary-ware and other products	1,950	204	4,799	1,858
Sale of aquarium products	1,470	–	2,448	–
Sale of marine fire-fighting equipment and inspection fees	1,881	–	3,778	–
	<u>20,050</u>	<u>16,805</u>	<u>39,764</u>	<u>39,945</u>
<b>Other income and gains</b>				
Interest income	77	125	86	136
Sundry income	–	25	–	25
Gross rental income	–	467	425	732
Sales of scraps	–	186	25	211
	<u>77</u>	<u>803</u>	<u>536</u>	<u>1,104</u>
Total revenue, other income and gains	<u>20,127</u>	<u>17,608</u>	<u>40,300</u>	<u>41,049</u>

#### 5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging the following items:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Amortisation of prepaid land lease payment	1	5	2	10
Amortisation of intangible assets	45	–	90	–
Depreciation on property, plant and equipment	336	350	672	706
Operating lease rentals for land and buildings	112	140	224	273
Staff costs	4,044	2,930	8,430	6,108
Auditors' remuneration	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

## 6. 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 (six months ended 30 June 2015: Nil). Under the Corporate Income Tax Law, the corporate income tax ("CIT") rate is calculated at a rate of 25% on the Group's estimated assessable profits for the six months ended 30 June 2016 and 2015.

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 30 June 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 30 June 2016.

	<b>Unaudited Three months ended 30 June</b>		<b>Unaudited Six months ended 30 June</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Current tax — PRC				
Provision for the period	<u>250</u>	<u>507</u>	<u>458</u>	<u>849</u>

The Group did not have any material unprovided deferred tax for the six months ended 30 June 2016 and 2015 as the temporary differences are immaterial.

## 7. DIVIDEND

No dividend have been paid or declared by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the (loss)/earnings per share for the six months ended 30 June 2016 is based on the loss attributable to ordinary equity holders of the Company of approximately RMB962,000 (six months ended 30 June 2015: profit of approximately RMB855,000), and on the number of 187,430,000 (30 June 2015: 187,430,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts for six months ended 30 June 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.



## 9. GOODWILL

	<i>RMB'000</i>
At 1 January 2016	–
Goodwill arising from acquisition of a subsidiary: Shanghai An Hang ( <i>note 14</i> )	<u>4,211</u>
Net carrying amount at 30 June 2016	<u><u>4,211</u></u>
At 30 June 2016	
Cost	4,211
Accumulated impairment	<u>–</u>
Net carrying amount	<u><u>4,211</u></u>

Goodwill acquired through business combination during the period has been allocated to the marine fire-fighting equipments installation and inspection cash generating unit.

## 10. TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Trade receivables	<b>44,565</b>	26,218
Less: impairment	<u><b>(1,897)</b></u>	<u>(1,897)</u>
Bills receivable	<b>42,668</b> <u><b>1,246</b></u>	24,321 <u>1,499</u>
	<b>43,914</b>	25,820
Trade receivables — non-current assets	<u><b>(4,791)</b></u>	–
Trade and bills receivables — current assets	<u><u><b>39,123</b></u></u>	<u><u>25,820</u></u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to half year for major customers. The Group's trading terms for marine fire-fighting equipment installation and inspection business, which generally has credit terms of 2 years, due to the long production period of vessel. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 30 June 2016, based on the invoice date, is as follows:

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Within 1 month	7,396	6,804
1 to 2 months	2,347	1,109
2 to 3 months	2,649	3,527
Over 3 months	31,522	14,380
	<u>43,914</u>	<u>25,820</u>

## 11. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2016, based on the invoice date, is as follows:

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Within 1 month	517	2,678
1 to 2 months	1,379	2,083
2 to 3 months	1,946	653
Over 3 months	8,554	2,496
	<u>12,396</u>	<u>7,910</u>

## 12. DUE TO/LOAN FROM THE IMMEDIATE HOLDING COMPANY

On 3 December 2010, Zhejiang Hengtai (the ultimate controlling shareholder) and Liancheng (the immediate holding company) have undertaken to collectively provide to the Company with an unsecured interest-free shareholders' loan facility in the sum of not exceeding RMB50 million (the "Facility") for a term of five years from 30 May 2010. The Facility could be extended at the discretion of Liancheng for another two years. On 20 December 2015, Liancheng agreed to further extend the term of the Facility to 30 May 2017. As at 30 June 2016, the accumulated amount of the loan drawn-down by the Company from Liancheng under the Facility was RMB7,800,000 (31 December 2015: RMB7,800,000).

Liancheng has also made advances to certain subsidiaries of the Company. These amounts due to Liancheng are unsecured, interest-free and have no fixed terms of repayments.

## 13. INTEREST-BEARING BANK BORROWING

	<b>Effective interest rate (%)</b>	<b>Maturity</b>	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Bank loan — secured	5.43	2016	<u>10,000</u>	<u>2,490</u>

The Group's banking facilities of RMB10,000,000 has been utilised at the end of the reporting period, which is secured by (i) mortgages over the investment properties of the Company with carrying value of RMB22,630,000 at the ended of the reporting; and (ii) personal guarantee provided by a director of the Company.

## 14. BUSINESS COMBINATION

### Shanghai An Hang Acquisition

On 26 January 2016, the Group and a number of independent third parties (the “Vendors”) entered into a sale and purchase agreement (the “S&P Agreement”), pursuant to which, the Group agreed to acquire and the Vendors agreed to sell 100% equity of Shanghai An Hang Marine Fire-Fighting Equipment Co., Ltd (“Shanghai An Hang”) (the “Shanghai An Hang Acquisition”) for a consideration of RMB6,000,000, which was satisfied by cash. The acquisition was completed on 1 February 2016.

Shanghai An Hang was principally engaged in marine fire-fighting equipment installation and inspection.

The fair values of the identifiable assets and liabilities of Shanghai An Hang as at the completion date were as follows:

	<i>Note</i>	<b>Fair value recognised on acquisition</b> <i>RMB'000</i>
Trade and bills receivables		4,723
Other receivables and prepayments		35
Cash and cash equivalents		932
Trade payables		(2,335)
Other payables, receipt in advance and accruals		(1,566)
		<hr/>
Total identifiable net assets at fair value		1,789
Goodwill on the Shanghai An Hang Acquisition	9	4,211
		<hr/>
		6,000
		<hr/> <hr/>
Satisfied by cash		6,000
		<hr/> <hr/>

## 15. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties under operating leases arrangements with the leases negotiated for terms ranging from 1 to 10 years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions.

At 30 June 2016, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <i>RMB'000</i>	Audited 31 December 2015 <i>RMB'000</i>
Within one year	<b>801</b>	1,602
In the second to fifth years, inclusive	—	—
	<hr/>	<hr/>
	<b>801</b>	1,602
	<hr/> <hr/>	<hr/> <hr/>

(b) **As lessee**

The Group leases certain land and buildings from an independent party under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

As at 30 June 2016, the total future minimum lease payments in respect of non-cancellable operating leases for land and buildings are as follows:

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Within one year	443	691
Over one year but within 5 years	1,223	1,300
After 5 years	888	973
	<u>2,554</u>	<u>2,964</u>

**16. COMMITMENTS**

Except for the operating lease arrangements, the Group did not have any significant capital and other commitments at the end of the reporting period.

**17. RELATED PARTY TRANSACTIONS**

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

	<b>Unaudited Three months ended 30 June 2016</b>		<b>Unaudited Six months ended 30 June 2016</b>	
	<b>RMB'000</b>	2015 RMB'000	<b>RMB'000</b>	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")	32	76	117	137
上海聯滙消防器材有限公司 (literally translated as "Shanghai Lianhua Fire-fighting Equipment Company Limited") ("SLFE")	-	79	104	97
	<u>32</u>	<u>155</u>	<u>221</u>	<u>234</u>
<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.

SPFE and SLFE are controlled by Zhejiang Hengtai, the ultimate holding company of the Group.

(b) Compensation of key management personnel of the Group during the period was as follow:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Fees:				
Executive directors	–	–	–	–
Independent non-executive directors	23	23	45	45
	<u>23</u>	<u>23</u>	<u>45</u>	<u>45</u>
Other emoluments:				
Salaries, allowances and benefits in kind	60	54	120	108
Pension scheme contributions	–	–	–	–
	<u>60</u>	<u>54</u>	<u>120</u>	<u>108</u>
	<u>83</u>	<u>77</u>	<u>165</u>	<u>153</u>

## 18. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no material contingent liabilities.

## **BUSINESS AND FINANCIAL REVIEW**

### **Revenue**

For the six months ended 30 June 2016, the Group recorded a revenue of approximately RMB39,764,000 (six months ended 30 June 2015: RMB39,945,000), representing a decrease of approximately 0.45% over the corresponding period of last year. Installation and inspection of marine fire-fighting equipment business was commenced during the year through an acquisition of a subsidiary and contributed revenue of approximately RMB3,778,000. Revenue decreased because customers stop ordering or ordering less due to the weak economic environment in China.

### **Cost of sales and gross profit**

For the six months ended 30 June 2016, the Group's cost of sales amounted to approximately RMB31,172,000 (six months ended 30 June 2015: RMB31,202,000), representing a decrease of approximately 0.09% over the corresponding period of last year. The main components of cost of sales for the Group are cost of trading products, raw materials, mainly steel and aluminum, and labour cost.

For the six months ended 30 June 2016, the Group recorded overall gross profit of approximately RMB8,592,000 (six months ended 30 June 2015: gross profit of approximately RMB8,743,000), representing a gross profit ratio of 22% remains unchanged comparing to the corresponding period of last year.

### **Other revenue and income**

For the six months ended 30 June 2016, other revenue and income reached approximately RMB536,000 (six months ended 30 June 2015: RMB1,104,000). Decrease in other revenue and income for the six months ended 30 June 2016 was mainly due to decrease in gross rental income.

### **Selling and distribution expenses**

For the six months ended 30 June 2016, the Group incurred selling and distribution expense of approximately RMB1,644,000, representing an increase of approximately RMB149,000 over the corresponding period of last year. Selling and distributing expenses increased due to transportation cost and labour cost increased during the period.

### **Administrative expenses**

For the six months ended 30 June 2016, the Group's administrative expenses amounted to approximately RMB7,962,000 (six months ended 30 June 2015: RMB7,401,000), representing a decrease of approximately 8% over the corresponding period of last year. This is mainly because of legal and professional fees increased during the period.

### **Finance costs**

Finance cost of approximately RMB137,000 was recorded for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## **(Loss)/Profit for the period**

For the six months ended 30 June 2016, the Group recorded loss for the period of approximately RMB1,073,000 (six months ended 30 June 2015: profit of RMB102,000), representing a turn from profit to loss during the period, primarily attributable to customers stop ordering or ordering less due to the weak economic environment in China.

## **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 year (2015: Nil). Under the Corporate Income Tax Law, the corporate income tax (“CIT”) rate is calculated at a rate of 25% (2015: 25%) on the Group’s estimated assessable profits for the six months ended 30 June 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 30 June 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 30 June 2016.

## **Net current assets**

As at 30 June 2016, the Company had current assets of approximately RMB83,018,000, based on which, the current ratio was 2.4 (31 December 2015: 3.5). The current liabilities increased from RMB22,789,000 as at 31 December 2015 to RMB34,991,000 as at 30 June 2016. Current assets as at 30 June 2016 mainly comprised inventories of approximately RMB13,979,000 (31 December 2015: RMB13,646,000), trade and bills receivables of approximately RMB39,123,000 (31 December 2015: RMB25,820,000), prepayments, deposits and other receivables of approximately RMB8,706,000 (31 December 2015: RMB11,078,000) and cash and bank deposits of approximately RMB20,042,000 (31 December 2015: RMB28,499,000). Current liabilities mainly comprised trade payables of approximately RMB12,396,000 (31 December 2015: RMB7,910,000), other payables and accrued charges of approximately RMB6,489,000 (31 December 2015: RMB7,191,000).

## **Borrowings**

The Group have bank borrowings of RMB10,000,000 as at 30 June 2016 (31 December 2015: RMB2,490,000).

## **Gearing ratio**

The Group's gearing ratio as at 30 June 2016 was 57.4% (31 December 2015: 42.3%), which was expressed as a percentage of the total liabilities divided by the total equity.

## **Capital structure and financial resources**

As at 30 June 2016, the Group had net assets of approximately RMB83,625,000 (31 December 2015: RMB84,698,000). The Group's operations are financed principally by internal sources, interest bearing bank borrowings, shareholders' borrowings and shareholders' equity.

## **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.

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.

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 the 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, sale of fire-fighting equipment and relevant business service provider in the PRC and overseas. The Group is also 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 30 June 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 holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng, holds 1,300,000 H shares of the Company. Zhejiang Hengtai owns 80% of Liancheng and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

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

Save as disclosed above, as at 30 June 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 30 June 2016, the following persons, other than Directors and supervisors of the Company, had an interests and a 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 (Note 3)	Beneficial owner	131,870,000 (Note 1)	70.36%
	Held by controlled corporation	1,300,000 (Note 2)	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 (Note 1)	70.36%
	Held by controlled corporation	1,300,000 (Note 2)	0.69%
Mr. Zhou Jin Hui	Held by controlled corporation	131,870,000 (Note 1)	70.36%
	Held by controlled corporation	1,300,000 (Note 2)	0.69%

Notes:

- All represent domestic shares of the Company.
- Liancheng Fire-Fighting Group Company Limited ("Liancheng") 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. ("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.

3. 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 person had relevant interests representing 5% or more in the issued shares capital of the Company as at 30 June 2016.

## **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 person who were Directors or supervisors of the Company during the six months ended 30 June 2016 had a material interest, whether directly or indirectly, subsisted at 30 June 2016 or at any time during the six months ended 30 June 2016.

## **EMPLOYEES**

As at 30 June 2016, the Group had 280 employees (30 June 2015: 283 employees). Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme.

Under relevant local government regulations, the Company is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Company has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Company has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Company has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Company’s relationship with its employees to be good.

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

During the six months ended 30 June 2016, the Company and its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities.

## **DIVIDENDS**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## **CORPORATE GOVERNANCE**

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

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

The Company is committed to promote 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 in respect of 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 in 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 established an audit committee (the “Audit Committee”) 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 of the Company, 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 six months ended 30 June 2016.