



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 2018**

\* *For identification purpose only*

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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 2018. For the six months ended 30 June 2018, the unaudited revenue is approximately RMB31,008,000, representing a decrease of approximately RMB5,240,000 or approximately 14.5% as compared with that of the same period in 2017. Loss attributable to owners of the Company was approximately RMB2,079,000 for the six months ended 30 June 2018 while the loss attributable to owners of the Company was approximately RMB255,000 for the corresponding period in 2017.

The unaudited condensed consolidated financial statements of the Group for the three months and six months ended 30 June 2018 together with the unaudited comparative figures for the corresponding period in 2017 are as follows:

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

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	4	15,142	19,852	31,008	36,248
Cost of sales		(10,887)	(14,149)	(23,605)	(26,661)
Gross profit		4,255	5,703	7,403	9,587
Other income and gains	4	80	148	480	796
Selling and distribution expenses		(712)	(995)	(1,311)	(1,960)
Administrative expenses		(3,518)	(3,462)	(7,803)	(7,665)
Finance cost		—	(16)	(5)	(21)
Profit/(loss) before tax	5	105	1,378	(1,236)	737
Income tax expense	6	(526)	(445)	(617)	(564)
(Loss)/profit for the period and total comprehensive (loss)/profit for the period		(421)	933	(1,853)	173
Attributable to:					
Owners of the Company		(717)	472	(2,079)	(255)
Non-controlling interests		296	461	226	428
		(421)	933	(1,853)	173
(Loss)/earnings per share attributable to ordinary equity holders of the Company	8				
— Basic (RMB cent(s))		(0.39)	0.25	(1.11)	(0.14)
— Diluted (RMB cent(s))		(0.39)	0.25	(1.11)	(0.14)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited as at <b>30 June 2018</b>	Audited as at 31 December 2017
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>13,288</b>	13,915
Investment properties		<b>23,270</b>	23,270
Prepaid land lease payments		<b>107</b>	109
Goodwill	9	<b>4,211</b>	4,211
Intangible assets		<b>1,305</b>	1,395
Total non-current assets		<b>42,181</b>	42,900
<b>CURRENT ASSETS</b>			
Inventories		<b>12,965</b>	12,151
Trade and bills receivables	10	<b>28,459</b>	28,600
Prepayments, deposits and other receivables		<b>3,336</b>	4,014
Due from related companies		<b>997</b>	997
Restricted cash balance		–	1,284
Cash and cash equivalents		<b>21,817</b>	23,358
Total current assets		<b>67,574</b>	70,404
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>10,407</b>	10,247
Other payables and accruals		<b>5,323</b>	7,010
Due to the immediate holding company	12	<b>906</b>	906
Due to non-controlling interests		<b>1,451</b>	1,451
Due to a related company		<b>2,798</b>	2,798
Tax payables		<b>123</b>	292
Total current liabilities		<b>21,008</b>	22,704
<b>NET CURRENT ASSETS</b>		<b>46,566</b>	47,700
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>88,747</b>	90,600

	<b>Unaudited as at 30 June 2018</b>	Audited as at 31 December 2017
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>88,747</u>	<u>90,600</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>5,393</u>	<u>5,393</u>
Total non-current liabilities	<u>5,393</u>	<u>5,393</u>
Net assets	<u><b>83,354</b></u>	<u>85,207</u>
EQUITY		
<b>Equity attributable to owners of the Company</b>		
Paid up capital	18,743	18,743
Reserves	<u>64,341</u>	<u>66,420</u>
	<b>83,084</b>	85,163
Non-controlling interests	<u>270</u>	<u>44</u>
Total equity	<u><b>83,354</b></u>	<u>85,207</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									Total equity RMB'000
	Issued 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	
<i>Six months ended 30 June 2018</i>										
Balance at 1 January 2018	18,743	10,910	43,655	6,786	1,500	11,299	(7,730)	85,163	44	85,207
Profit/(loss) for the period and total comprehensive income/(loss) for the period	-	-	-	-	-	-	(2,079)	(2,079)	226	(1,853)
Balance at 30 June 2018	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>6,786</u>	<u>1,500</u>	<u>11,299</u>	<u>(9,809)</u>	<u>83,084</u>	<u>270</u>	<u>83,354</u>
<i>Six months ended 30 June 2017</i>										
Balance at 1 January 2017	18,743	10,910	43,655	6,661	1,500	11,299	(7,375)	85,393	(1,019)	84,374
Profit/(loss) for the period and total comprehensive income/(loss) for the period	-	-	-	-	-	-	(255)	(255)	428	173
Balance at 30 June 2017	<u>18,743</u>	<u>10,910</u>	<u>43,655</u>	<u>6,661</u>	<u>1,500</u>	<u>11,299</u>	<u>(7,630)</u>	<u>85,138</u>	<u>(591)</u>	<u>84,547</u>

\* These reserve accounts comprise the consolidated reserves of approximately RMB64,341,000 (30 June 2017: RMB66,395,000) in the condensed consolidated statement of financial position.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net cash flows (used in)/from operating activities	<b>(2,642)</b>	417
Net cash flows used in investing activities	<b>(183)</b>	(30)
Net cash flows used in financing activities	<u>—</u>	<u>(113)</u>
Net (decrease)/increase in cash and cash equivalents	<b>(2,825)</b>	274
Cash and cash equivalents at beginning of period	<u><b>23,358</b></u>	<u>17,512</u>
Cash and cash equivalents at end of period	<u><b>20,533</b></u>	<u>17,786</u>

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’s principal activities are set out in note 3.

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 (“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 2017.

### *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 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

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 16	Leases <sup>1</sup>
IFRIC-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>

<sup>1</sup> Effective for annual periods 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 seven (six months end 30 June 2017: seven) 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) Grooved couplings segment — manufacture and trading of iron casted grooved couplings (which has remained dormant during the period);
- (iv) Trading segment — trading of sanitary-ware and other products and commission income;
- (v) Aquarium products segment — sale of aquarium products;
- (vi) Marine fire-fighting segment — marine fire-fighting equipment installation and inspection; and
- (vii) Property investment segment — invests in office building and industrial properties for its rental income potential.

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, amounts due to non-controlling interests and a related company, tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

**Six months ended 30 June 2018**  
**(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	16,479	4,576	5,138	4,793	22	-	31,008
Gross rental income	-	-	-	-	-	-	-
	<u>16,479</u>	<u>4,576</u>	<u>5,138</u>	<u>4,793</u>	<u>22</u>	<u>-</u>	<u>31,008</u>
<b>Segments results</b>	(3,663)	327	1,236	1,182	5	-	(913)
Reconciliation:							
Interest income							21
Income from investment products							-
Corporate and unallocated expenses							(344)
Loss before tax							<u>(1,236)</u>
Segment assets	51,365	8,202	10,768	7,579	8,571	23,270	109,755
Unallocated assets							-
Total assets							<u>109,755</u>
Segment liabilities	9,669	2,969	1,907	635	550	-	15,730
Unallocated liabilities							10,671
Total liabilities							<u>26,401</u>
Capital expenditure*	51	-	-	119	-	-	170
Depreciation and amortisation	<u>523</u>	<u>-</u>	<u>99</u>	<u>229</u>	<u>-</u>	<u>-</u>	<u>851</u>

**Six months ended 30 June 2017**  
**(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	20,630	5,302	5,857	4,104	355	–	36,248
Gross rental income	–	–	–	–	–	425	425
	<u>20,630</u>	<u>5,302</u>	<u>5,857</u>	<u>4,104</u>	<u>355</u>	<u>425</u>	<u>36,673</u>
<b>Segments results</b>	(792)	22	812	1,080	355	425	1,902
Reconciliation:							
Interest income							3
Income from investment products							134
Corporate and unallocated expenses							<u>(1,302)</u>
Profit before tax							<u>737</u>
Segment assets	51,602	7,645	10,178	5,745	29,150	23,270	127,590
Unallocated assets							<u>–</u>
Total assets							<u>127,590</u>
Segment liabilities	15,333	4,038	2,864	555	1,656	–	24,446
Unallocated liabilities							<u>18,597</u>
Total liabilities							<u>43,043</u>
Capital expenditure*	–	–	–	–	–	–	–
Depreciation and amortisation	<u>469</u>	<u>–</u>	<u>207</u>	<u>93</u>	<u>–</u>	<u>–</u>	<u>769</u>

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

**Information about a major customer**

For the six months ended 30 June 2018 and 2017, there was no revenue from sales to any single external customer that contributed over 10% of the Group's total revenue.

#### 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	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>Revenue</b>				
Sale of pressure vessels	7,263	10,399	16,479	20,630
Inspection service fees	3,095	3,707	5,138	5,578
Commission income on trading of sanitary-ware and other products	22	–	22	355
Sale of aquarium products	2,609	2,385	4,793	4,104
Sale of marine fire-fighting equipment	1,915	3,361	4,016	5,302
Marine fire-fighting equipment inspection fees	238	–	560	279
	<u>15,142</u>	<u>19,852</u>	<u>31,008</u>	<u>36,248</u>
<b>Other income and gains</b>				
Interest income	11	–	21	3
Income from investment products	–	58	–	134
Gross rental income	–	–	–	425
Sales of scraps	69	90	76	234
Government Grant	–	–	383	–
	<u>80</u>	<u>148</u>	<u>480</u>	<u>796</u>
Total revenue, other income and gains	<u>15,222</u>	<u>20,000</u>	<u>31,488</u>	<u>37,044</u>

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

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Amortisation of prepaid land lease payment	1	1	2	2
Amortisation of intangible assets	45	45	90	90
Depreciation on property, plant and equipment	446	338	759	677
Operating lease rentals for land and buildings	–	125	–	250
Staff costs	4,100	3,610	8,246	7,220
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 six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Under the Corporate Income Tax Law, the corporate income tax (“CIT”) rate is calculated at a rate of 25% (six months ended 30 June 2017: 25%) on the Group’s estimated assessable profits for the six months ended 30 June 2018.

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%. Two of the Company’s subsidiaries and a branch of a subsidiary have 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, one subsidiary and the branch of a subsidiary, 上海荻野生物科技有限公司 (literally as “Shanghai Ogino Biotechnology Co., Limited”) were subject to the concessionary CIT rates of 10% of assessable profits (i.e. 20% on the 50% assessable profits), while another subsidiary was 1% of its revenue (i.e. at a rate of 25% on 4% of its revenue), for the six months ended 30 June 2018 and 2017.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax — PRC				
Provision for the period	<u>526</u>	<u>445</u>	<u>617</u>	<u>564</u>

For the six months ended 30 June 2018, the unrecognised deferred tax assets in respect of tax benefits from unrecognised tax losses of the Group is approximately RMB996,000 (six months ended 30 June 2017: approximately RMB358,000). The Group did not have any material unprovided deferred tax for the six months ended 30 June 2018 and 2017 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 2018 (six months ended 30 June 2017: Nil).

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

The calculation of the profit per share for the three months ended 30 June 2018 is based on the loss attributable to ordinary equity holders of the Company of approximately RMB717,000 (three months ended 30 June 2017: profit of approximately RMB472,000), and on the number of 187,430,000 (30 June 2017: 187,430,000) ordinary shares in issue during the period.

The calculation of the loss per share for the six months ended 30 June 2018 is based on the loss attributable to ordinary equity holders of the Company of approximately RMB2,079,000 (six months ended 30 June 2017: loss of approximately RMB255,000), and on the number of 187,430,000 (30 June 2017: 187,430,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts for three months and six months ended 30 June 2018 and 2017 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 2017	
Cost	–
Accumulated impairment	4,211
	<u>4,211</u>
Net carrying amount at 31 December 2017	<u>4,211</u>
At 31 December 2017 (audited)	
Cost	4,211
Accumulated impairment	–
	<u>4,211</u>
Net carrying amount	<u>4,211</u>
At 30 June 2018 (unaudited)	
Cost	4,211
Accumulated impairment	–
	<u>4,211</u>
Net carrying amount	<u>4,211</u>

## 10. TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Trade receivables	<b>29,004</b>	29,263
Less: impairment	<b>(1,575)</b>	(1,575)
	<u>27,429</u>	<u>27,688</u>
Bills receivable	<b>1,030</b>	912
	<u>28,459</u>	<u>28,600</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 up to 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. Trade receivables are non-interest-bearing.



An aged analysis of the trade receivables as at 30 June 2018, based on the invoice date, is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <i>RMB'000</i>	Audited 31 December 2017 <i>RMB'000</i>
Within 1 month	3,764	5,477
1 to 2 months	4,109	4,947
2 to 3 months	5,654	2,223
3 to 6 months	4,748	4,050
6 to 12 months	2,537	2,734
1 to 2 years	4,975	9,169
Over 2 years	2,672	–
	<u><b>28,459</b></u>	<u>28,600</u>

#### 11. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2018, based on the invoice date, is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <i>RMB'000</i>	Audited 31 December 2017 <i>RMB'000</i>
Within 1 month	3,559	2,490
1 to 2 months	3,073	2,442
2 to 3 months	3,216	788
Over 3 months	559	4,527
	<u><b>10,407</b></u>	<u>10,247</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 25 December 2017, Liancheng agreed to further extend the term of the Facility to 30 May 2019.

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. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating leases arrangements without fixed leases term.

(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 20 years.

As at 30 June 2018, the total future minimum lease payments in respect of non-cancellable operating leases for land and buildings are as follows:

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Within one year	<b>160</b>	324
Over one year but within 5 years	<b>667</b>	667
After 5 years	<b>650</b>	650
	<b><u>1,477</u></b>	<u>1,641</u>

### 14. 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.

## 15. 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:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>Sales of goods</b>				
中聯城消防科技集團有限公司 (literally translated as “Zhong Lian Cheng Fire-Fighting Technology Group Company Limited”; “ZLCFT”)	-	969	-	1,529
上海石化消防工程有限公司 (literally translated as “Shanghai Petro-Chemical Fire-fighting Engineering Company Limited”) (“SPFE”)	-	-	-	80
上海聯滙消防器材有限公司 (literally translated as “Shanghai Lianhua Fire-fighting Equipment Company Limited”) (“SLFE”)	-	-	32	85
	<u>-</u>	<u>969</u>	<u>32</u>	<u>1,694</u>
<b>Services Income</b>				
SPFE	<u>66</u>	<u>74</u>	<u>169</u>	<u>149</u>

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.

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>Fees:</b>				
Executive directors	-	-	-	-
Independent non-executive directors	23	23	45	45
	<u>23</u>	<u>23</u>	<u>45</u>	<u>45</u>
<b>Other emoluments:</b>				
Salaries, allowances and benefits in kind	82	35	164	69
Pension scheme contributions	-	-	-	-
	<u>82</u>	<u>35</u>	<u>164</u>	<u>69</u>
	<u>105</u>	<u>58</u>	<u>209</u>	<u>114</u>

## 16. 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 2018, the Group recorded a revenue of approximately RMB31,008,000 (six months ended 30 June 2017: RMB36,248,000), representing a decrease of approximately 14.5% over the corresponding period of last year. The decrease in revenue represented the decrease in sales of pressure vessels due to the keen market competition and fewer orders received.

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

For the six months ended 30 June 2018, the Group's cost of sales amounted to approximately RMB23,605,000 (six months ended 30 June 2017: RMB26,661,000), representing a decrease of approximately 11.5% 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 2018, the Group recorded overall gross profit of approximately RMB7,403,000 (six months ended 30 June 2017: approximately RMB9,587,000), representing a gross profit ratio of 24% comparing to 26% for the corresponding period of last year. A drop of 2 basic points in gross profit rates mainly because of price competition in selling pressure cylinders.

### **Other revenue and income**

For the six months ended 30 June 2018, other revenue and income reached approximately RMB480,000 (six months ended 30 June 2017: RMB796,000). Decrease in other revenue and income for the six months ended 30 June 2018 was mainly due to a decrease in sale of scraps and rental income, which are partially offset by a government grant.

### **Selling and distribution expenses**

For the six months ended 30 June 2018, the Group incurred selling and distribution expenses of approximately RMB1,311,000, a decrease of approximately RMB649,000 over the corresponding period of last year. Selling and distributing expenses decreased due to the decrease in distribution expenses in selling of pressure vessels.

### **Administrative expenses**

For the six months ended 30 June 2018, the Group's administrative expenses amounted to approximately RMB7,803,000 (six months ended 30 June 2017: RMB7,665,000), representing an increase of approximately 1.8% over the corresponding period of last year. This is mainly because of a increase in salaries for key management during the period.

### **Finance costs**

For the six months ended 30 June 2018, the Group's finance costs were RMB5,000 (six months ended 30 June 2017: RMB21,000).

### **Non-controlling interests**

For the six months ended 30 June 2018, profit for the year attributable to non-controlling interests is approximately RMB226,000 (six months ended 30 June 2017: RMB428,000). It is due to the profits in acquire segment was shared by a 55.9% non-controlling interest.

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

For the six months ended 30 June 2018, the Group recorded loss for the period of approximately RMB1,860,000 (six months ended 30 June 2017: profit of RMB173,000), representing a turn from profit to loss during the period, primarily attributable to a decrease in the selling of pressure vessels.

### **Income tax**

The effective tax charge rate of the Group is credit for the six months ended 30 June 2018 (six months ended 30 June 2017: 76.5%) due to a net loss for the period.

### **Net current assets**

As at 30 June 2018, the Company had current assets of approximately RMB67,574,000, based on which, the current ratio was 3.2 (31 December 2017: 3.1). The current liabilities increased from RMB22,704,000 as at 31 December 2017 to RMB21,008,000 as at 30 June 2018. The Group's net current assets remained stable.

### **Borrowings**

The Group have no bank borrowings as at 30 June 2018 (31 December 2017: Nil).

### **Gearing ratio**

The Group's gearing ratio as at 30 June 2018 was 31.6% (31 December 2017: 33.0%), which was expressed as a percentage of the total liabilities divided by the total equity.

### **Capital structure and financial resources**

As at 30 June 2018, the Group had net assets of approximately RMB83,354,000 (31 December 2017: RMB85,207,000). The Group's operations are financed principally by internal sources, interest bearing bank borrowings, shareholders' borrowings and shareholders' equity.

## PROSPECT

On 10 October 2017, the Fire Department of the Ministry of Public Security of China issued the Guiding Opinion on Advancing of the Building of “Smart Fire-Fighting” (Gong Xiao [2017] No. 297). According to the Guiding Opinion, by the end of 2018, remote monitoring systems that connect fire-fighting equipment shall be in place on all cities at prefecture level or above. For cities that have systems connecting the Internet of Things for fire-fighting equipment, more than 70% units which have high fire hazards and high-rises which are equipped with automatic fire equipment should be connected to the system by the end of 2017. By the end of 2018, all such units and high rises should be connected to the system. 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. The new Guiding Opinion will be a driver for the Group’s fire extinguisher products. 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. With the economic industry requirements expected to tighten in China, the Company will continue to improve the profitability of the Group by increasing the operation efficiency and seeking for new business opportunities in fire-fighting industry.

Pursuant to the Letter on Confirmation of Land Redevelopment Proposal of Urban Villages located at Xin Lian Village and Mao Jia Jiao Village, Zhonggu Town, Qingpu District, Shanghai (《上海城鄉建設和管理委員會關於確認青浦區重固鎮新聯村、毛家角村“城中村”改造地塊實施方案的函》)(the “Land Zhonggu Redevelopment Proposal”) issued by the Shanghai Urban-Rural Construction and Management Commission and based on the discussion between the management and the relevant government officials, it has been confirmed that the Zhonggu Factories had been included in the Zhonggu Land Redevelopment Proposal. The government and the Group have not yet agreed on any special schedule or compensation proposal for resumption of the Zhonggu Factories. The Zhonggu Factories are currently leased to a third party.

We have not received any information from the government since we made the announcement on 29 January 2016, in relation to the land resumption.

In 2017, the Company’s subsidiary, Shanghai Yuanfeng Pressure Cylinder Co. Ltd. (上海元奉高壓容器有限公司) (“Yuanfeng”), received a notice from Shanghai Fengxian District Nanqiao Town Collection Management Office (《奉賢區南橋鎮徵收管理辦公室》), certain leased land and buildings are included in the land redevelopment plan. It is confirmed that the factory leased by Yuanfeng is included in the land redevelopment plan. However, the government has not yet formulated any specific schedule or compensation proposal for resumption. We are planning to move the production in Yuanfeng to its fellow subsidiaries to make sure there is no material impact on the daily operations of the Group.

## 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.

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

As at 30 June 2018, 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 wholly-owned 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 and 20% by Mr. Zhou Jin Hui.

Save as disclosed above, as at 30 June 2018, 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 2018, 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%

#### Notes:

- All represent domestic shares of the Company.
- Liancheng holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a wholly-owned 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, Zhejiang Hengtai 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 Zhejiang Hengtai and 20% by Mr. Zhou Jin Hui.

- On 12 January 2017, the board of directors of the Company was notified that, an aggregate of 131,870,000 domestic shares of the Company (the "Pledged Shares") held by Liancheng have been pledged in favour of an independent third party (the "Lender") as a security for a loan amount of RMB198,000,000 provided by the Lender to Liancheng (the "2017 Loan"). The Pledged Shares will be released if Liancheng makes a partial repayment amounting to RMB63,000,000 to the Lender. Relevant shares pledge registration procedures have been completed with China Securities Depository and Clearing Corporation Limited. As of 12 January 2017 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 with relevant interests representing 5% or more in the issued shares capital of the Company as at 30 June 2018.



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

To the best knowledge of the Board, except for those disclosed in note 15, 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 2018 had a material interest, whether directly or indirectly, subsisted at 30 June 2018 or at any time during the six months ended 30 June 2018.

## **EMPLOYEES**

As at 30 June 2018, the Group had 230 employees (30 June 2017: 251 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 2018, 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 2018 (six months ended 30 June 2017: 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 financial statements for the six months ended 30 June 2018.