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)

2016
ANNUAL REPORT

* *For identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Mr. Song Zi Zhang
Mr. Yang Chun Bao
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

CHAIRMAN'S STATEMENT

RESULTS FOR THE YEAR

For the year ended 31 December 2016, the Group recorded total revenue of RMB73,500,000 and profit attributable to the shareholders of RMB317,000. The Group's revenue was derived principally from its manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products) in the PRC (excluding Hong Kong) and overseas, provision of fire technology inspection services, installation and inspection of marine fire-fighting equipment, commission received on trading of sanitary-ware and sales of aquarium products and other products.

SALES

The Group's revenue increased by RMB5,821,000 from RMB67,679,000 in 2015 to RMB73,500,000 in 2016.

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. Profit 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 products 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 2017, the Company will continue to improve the profitability of the Group by increasing the operation efficiency and reducing the overhead expenses.

CHAIRMAN'S STATEMENT

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. After a successful acquisition of the installation and inspection of marine fire-fighting equipment business during the year which increase the profitability of the Group, 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.

OUR PEOPLE

The Group will further optimize its staff structure. The Board would like to express its gratitude to the employees of the Company for their invaluable contribution to the business of the Group.

DIRECTORS

My thanks go to the Directors of the Company for their professional work. The Board will endeavor to work professionally and painstakingly for achieving prosperous performance of the Group in the future.

Zhou Jin Hui
Chairman

Shanghai, the PRC
24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2016, the Group recorded a turnover of approximately RMB73,500,000 (year ended 31 December 2015: RMB67,679,000), representing an increase of approximately 9% over last year because the marine fire-fighting and aquarium segments were acquired and incorporated by the Group in February 2016 and September 2015 respectively.

MATERIAL ACQUISITION

On 26 January 2016, the Group and certain 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 interest of Shanghai An Hang Marine Fire-Fighting Equipment Co., Ltd ("Shanghai An Hang") (the "Shanghai An Hang Acquisition") for a cash consideration of RMB6,000,000, which was satisfied by cash. The Shanghai An Hang Acquisition was completed on 1 February 2016 (the "Completion Date"). Included in the goodwill of approximately RMB4,211,000 recognised is the benefit of expected business prospects and other intangibles such as certifications and technical know-how of Shanghai An Hang as well as the synergy created.

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

GROSS PROFIT

For the year ended 31 December 2016, the Group recorded overall gross profit of approximately RMB19,799,000 (year ended 31 December 2015: RMB14,718,000), representing a gross profit ratio of 27% comparing to 22% for the year ended 31 December 2015. The increase was mainly due to concentration on sale of higher profit margin products, tighter cost control on productions and the acquisition of the installation and inspection of marine fire-fighting equipment business during the year.

OTHER INCOME AND GAINS

Other income and gains for the year ended 31 December 2016 decreased by approximately RMB1,067,000 from RMB4,734,000 for the year ended 31 December 2015 to approximately RMB3,667,000. This is mainly due to decrease in gross rental income and income from investment products in 2016.

SELLING AND DISTRIBUTION COSTS

For the year ended 31 December 2016, the Group's selling and distribution costs increased to approximately RMB2,873,000 from RMB2,757,000, representing an increase of 4% over the corresponding period of last year. This is mainly due to the increase in revenue in 2016.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2016, the Group's administrative expenses amounted to approximately RMB18,908,000 (year ended 31 December 2015: approximately RMB17,160,000), representing an increase of 10%. The increase is mainly due to the acquisition of the installation and inspection of marine fire-fighting equipment business during the year.

FINANCE COSTS

Finance costs of approximately RMB464,000 were recorded for the year ended 31 December 2016 (year ended 31 December 2015: Nil) because bank loans were arranged during the year to facilitate the business.

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 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 year ended 31 December 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%. Two (2015: one) of the Company's subsidiaries 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, these two subsidiaries were subject to the concessionary CIT rates of 10% of assessable profits (i.e. 20% on the 50% assessable profits) and 1% of its revenue (i.e. at a rate of 25% on 4% of its revenue), respectively, for the year ended 31 December 2016.

The effective tax rate of the Group is 80% for the year ended 31 December 2016 (year ended 31 December 2015: (296)%). It is due to the loss in certain subsidiaries, which are not allowed to offset assessable profits arising from other subsidiaries of the Group.

NON-CONTROLLING INTERESTS

For the year ended 31 December 2016, loss for the year attributable to non-controlling interests is approximately RMB71,000 (year ended 31 December 2015: loss of RMB773,000).

PROFIT/LOSS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended 31 December 2016, the Group recorded profit for the year attributable to the owners of the Company of approximately RMB317,000 (year ended 31 December 2015: loss of RMB1,070,000). The profit was primary attributable to the acquisition of installation and inspection of marine fire-fighting equipment business during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

NET CURRENT ASSETS

As at 31 December 2016, the Group had current assets of approximately RMB82,362,000, based on which, the current ratio was 2.8 (31 December 2015: 3.5). The current liabilities increased from RMB22,789,000 as at 31 December 2015 to RMB29,251,000 as at 31 December 2016. Current assets as at 31 December 2016 mainly comprised inventories of approximately RMB12,641,000 (31 December 2015: RMB13,646,000), trade and bills receivables of approximately RMB43,333,000 (31 December 2015: RMB25,820,000), prepayments, deposits and other receivables of approximately RMB8,092,000 (31 December 2015: RMB11,078,000) and cash and bank deposits of approximately RMB17,512,000 (31 December 2015: RMB28,499,000). Current liabilities mainly comprised trade payables of approximately RMB12,449,000 (31 December 2015: RMB7,910,000), other payables and accrued charges of approximately RMB11,143,000 (31 December 2015: RMB7,191,000).

GEARING RATIO

The Group's gearing ratio as at 31 December 2016 was 50.3% (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 31 December 2016, the Group had net assets of approximately RMB84,374,000 (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.

EMPLOYEES

As at 31 December 2016, the Group had 247 employees (2015: 277 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 Group is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Group has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Group has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Group 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 Group's relationship with its employees to be good.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Jin Hui (周金輝), aged 46, has been an executive Director since July 2009. He is the chairman of the Company and a director of Liancheng HK, Liancheng, and Hengtai Real Estate. Mr. Zhou started management of business in 1996 when he co-founded Jiangshan Construction Decoration Engineering Ltd.* (江山市建築裝飾配套工程有限公司). He was a founder of Jiangshan Hengtai Real Estate Co. Ltd.* (江山市恒泰房地產有限公司) in 1998 which was converted into Hengtai Real Estate in 2003. Mr. Zhou completed the business administration programme in the International Business University of Beijing* (北京國際商務學院) in 1998 and the training programme for senior manager in Tsinghua University* (清華大學) in 2005. In addition, he was conferred the degree of Master of Business Administration from the University of Management and Technology, Commonwealth of Virginia, the United States of America in 2007.

Mr. Shi Hui Xing (史惠星), aged 58, has been an executive Director since April 2014, appointed as the General Manager of the Company in November 2014. He is also a director and the general manager of 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Ltd.*) ("Special Cylinder"). Mr. Shi has been working in Special Cylinder since 2007. Mr. Shi graduated from the Shanghai Light Industry Bureau Committee China Communist Party School (中共上海市輕工業局委員會黨校) with studies in political party management (政黨管理) in 1992 and was conferred the qualification of senior occupational manager (grade 1) (高級職業經理人(一級)) in 2009 by the Appraisal Centre of Occupational Capability of Shanghai (上海市職業技能鑒定中心).

Mr. Zhou Guo Ping (周國平), aged 49, has been an non executive director since June 2014 and re-designated to executive director in November 2014. He joined the Company as the deputy general manager in May 2011. He has more than 28 years of experience in factory management. He worked as the Vice General manager of ZheJiang Jiangshan Transformer Co., Ltd.* (浙江江山變壓器有限公司) before joining the Company. Mr. Zhou Guo Ping was a graduate from Wuhan Institute of Economic Management* (武漢經濟學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guo Zhong (王國忠), aged 59, has been an independent non-executive Director since October 2000. He has over 20 years of experience in legal practice. He has been the person in charge (主任) of Shanghai Keenmore Law Office* (上海市金馬律師事務所) since October 1992. Mr. Wang graduated from Shanghai Fudan University* (上海復旦大學) with a bachelor's degree in law in April 1983. He was conferred the qualification of professional lawyer by Shanghai Justice Bureau (上海市司法局) in January 1985.

Mr. Yang Chun Bao (楊春寶), aged 60, has been an independent non-executive Director since October 2000. He has more than 31 years of experience in finance and accounting. Mr. Yang was admitted as a certified public accountant and he joined Shanghai Huashen Certified Public Accountants Ltd.* (上海華申會計師事務所有限公司) in November 1973 and became a deputy supervisor (副主任) in June 2005. In July 2011, he was promoted to be the accountant-in-charge (主任會計師) of the firm. Mr. Yang was conferred a degree of Master of Science in Business Administration by Madonna University at Livonia, Michigan, the USA in December 1999. Mr. Yang has joined Mingyuan Medicare Development Co., Ltd. (stock code: 233) as an independent non-executive Director in September 2014.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Song Zi Zhang (宋子章), aged 70, has been an independent non executive director since November 2014. He has over 40 years' experience in factory management. He has been appointed as the Supervisor Committee Chairman of Shanghai Chenglong Group Co., Ltd. (上海晟隆(集團)有限公司) since 2007, after retiring from the position of General Manager in Shanghai Moshida Enterprise Development Company Limited (上海摩士達企業發展有限公司). He completed the program of Enterprise Operation and Management in Shanghai Open University and is a Senior Economist.

SENIOR MANAGEMENT

Mr. Xiao Li Jun (肖立軍), aged 55, is the deputy general manager of the Company. He has more than 6 years of experience in production management. He joined the Company in September 2006 as a production manager. He joined Qingpu Fire-fighting Equipment Factory* (青浦消防器材廠) in 1979.

Mr. Luo Jun (駱軍), aged 43, is the technical manager of the Company. He has more than 9 years of experience in industrial techniques. He joined the Company in January 2004 and had been working as technician and technical manager. He had worked as a technician in Baosteel People's Machinery Factory* (寶鋼集團人民機械廠) during the period from August 1996 to January 2000. Mr. Luo graduated from Nanchang Hankong Industrial College* (南昌航空工業學院) with studies in metal forming process and equipment in 1996.

Ms. Shi Yan (石燕), aged 50, is the manager of quality inspection department of the Company. She has over 18 years of experience in quality control. She joined the Company in December 2006 as the manager of quality inspection department. Before this, she had worked as the deputy manager of the quality inspection department of Shanghai Huasheng during the period from September 2003 to November 2004 and as quality inspector of Shanghai Unilever Co., Ltd. (上海聯合利華股份有限公司) during period from July 1986 to July 2003. Ms. Shi completed professional studies from Shanghai No. 2 Light Industry School* (上海市第二輕業學校).

Mr. Li Hua (李華), aged 55, is the production facility manger of the Company. He has more than 25 years of experience in factory manufacturing. In 1979, he worked in Qingpu Fire-fighting Equipment Factory* (青浦消防器材廠). He worked in Qingpu Shanhu Machinery Factory* (青浦山湖機械廠) from January 1990 to February 2001 as a workshop supervisor. In March 2001, he joined the Company and worked as workshop supervisor, deputy manager and manager of the production facility department.

Mr. Sun Qiang (孫強), aged 37, was promoted to Financial Controller of the Company in October 2015. He has over 14 years of accounting and finance experience before joining the Company in 2011 as Accountant. He graduated from Shanghai Commerce and Accounting School* (上海商業會計學校) in 1998 and obtained a Diploma in Management Accounting from Shanghai LiXin Accounting Colleague* (上海立信會計學院) in 2011.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Chan Chi Wai, Benny (陳智偉), aged 46, obtained a Bachelor of Business (Accountancy) in Queensland University of Technology. He has over 20 years' experience in auditing, accounting and financial management. Prior to joining the Company, he has moved to Shanghai and worked for a domestic company preparing to be listed in the Shanghai Stock Exchange. Before moving to Shanghai, he had worked for Ernst and Young and a couple of companies which shares are listed in the Stock Exchange of Hong Kong. He has been admitted to the status of certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) since 1999.

SUPERVISORS

In accordance with Articles 124 of the Company's Articles of Association, Supervisors shall be elected at general meetings of the Company for a term of three years. Mr. Mao Jiang Wei, Mr. Zhao Da Rong, Mr. Qiu Ning Song were the Supervisors of the Company during the year.

Mr. Mao Jiang Wei (毛江偉), age 54, graduated from the Southwest Jiaotong University (西南交通大學) majoring in fire-fighting engineering. He had been the manager of the Operating Department for Security Equipment in Shanghai Yingan Trading Centre (上海瀛安貿易中心), and general manager of 上海福肯斯消防科技有限公司. Mr. Mao has over 20 years of experience in corporate management.

Mr. Qiu Ning Song (邱寧松), aged 52, is the head of fire-fighting equipments production line. He joined the Company in April 2011. Before joining the Company, he is the factory manager of JiangShang DaZhong Boiler Co., Ltd. ("江山市大眾鍋爐廠")

Mr. Zhao Da Rong (趙大榮), aged 47, has been the office manager of the Company since November 2006. He has over 20 years of experience in general management. Before he joined the Company, he had worked as the deputy office manager and office manager of Shanghai Huasheng during the period from December 1997 to November 2006, and as the office manager and deputy general manager of Shanghai Huasheng Fine Chemicals Co., Ltd.* (上海華盛精細化工有限公司) from February 1992 to December 1997. Mr. Zhao graduated from Shanghai Anting Teachers Training School with a major in education in July 1988. He completed the training course of intermediate professional manager (national professional qualification Grade 2) (中級職業經理人(國家職業資格二級)培訓班) held by Shanghai Centre for Quality of Management (上海卓越管理中心) in August 2008.

COMPLIANCE OFFICER

Mr. Shi Hui Xing was as the compliance officer during the year.

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

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.

BOARD OF DIRECTORS

The Board comprises of six members, including three executive Directors, Mr. Zhou Jin Hui, Mr. Shi Hui Xing and Mr. Zhou Guo Ping and three independent non-executive Directors, Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Song Zi Zhang. Their term of office will end upon the commencement of the 2017 annual general meeting where re-election would be conducted.

The Board conducted 5 meetings in 2016 to discuss and decide on development strategies, critical operational matters, financial affairs and other matters stipulated in the articles of association of the Company. The following table sets out the attendance of Directors' meetings in 2016 in details:

Directors		**Number of Meetings/attendance**
Executive Directors	Mr. Zhou Jin Hui	5/5
	Mr. Shi Hui Xing	5/5
	Mr. Zhou Guo Ping	5/5
Independent non-executive Directors	Mr. Wang Guo Zhong	5/5
	Mr. Yang Chun Bao	5/5
	Mr. Song Zi Zhang	5/5

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND GENERAL MANAGER

During the year 2016, Mr. Zhou Jin Hui and Mr. Shi Hui Xing is chairman and general manager, respectively, which are two clearly defined positions. The chairman is responsible for the operation of the Board while the general manager (equivalent to a chief executive) is in charge of daily management. The Articles of Association of the Company set out the respective functions of the chairman and the general manager in detail.

RISK MANAGEMENT

The Board requires the management to review the implementation of internal control and risk management at the end of each year. Through an assessment of the Company and its subsidiary conducted by a team of professionals on an ongoing basis, the management will determine whether the internal controls and risk management systems are able to meet the expected objectives, and will make recommendations for improving any control deficiency in the systems.

EMOLUMENTS OF DIRECTORS

In 2016, all Directors (other than executive director, Mr. Zhou Jin Hui) of the Company received emoluments for the year ended 31 December 2016. Details of emoluments of Directors are set out in note 8 of the financial statements.

APPOINTMENT OF DIRECTORS

Directors of the Company are elected at general meetings with a term of three years for each session. Directors can be re-elected upon expiration of the term. On 27 June 2014, the Company has appointed new Directors with a term until the commencement of the 2017 general meeting where re-election would be conducted.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Institute of Certified Public Accountants. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee have been properly written out. The primary duties of the audit committee are to review and monitor the Company's financial reporting process and internal control system. The audit committee for the year 2016 comprises of Yang Chun Bao, Wang Guo Zhong and Song Zi Zhang, who are independent non-executive Directors. Yang Chun Bao possess appropriate professional qualification and financial experience.

The primary duties of the Audit Committee are mainly (i) reviewing the Group's financial statement and providing material advice in respect of the financial reporting; (ii) making recommendations to the Board on appointment, re-appointment and removal of external auditors as well as approval on their remuneration and terms of engagement; (iii) overseeing financial reporting system, risk management and internal control systems of the Company.

4 meetings have been conducted by the audit committee in 2016 for reviewing and discussion of the operating results, financial position and significant accounting policies and internal auditing issues of the Company for the year ended 31 December 2015, for the six months ended 30 June 2016 and for the three months ended 31 March 2016 and 30 September 2016, and taking advice of auditors of the Company.

The following table sets out the attendance of the committee's meeting in 2016:

Committee members	Attendance/number of meetings
Yang Chun Bao	4/4
Song Zi Zhang	4/4
Wang Guo Zhong	4/4

REMUNERATION COMMITTEE

The Remuneration Committee of the Company for the year 2016 comprises of one executive Director, Zhou Jin Hui and two independent non-executive Directors, Yang Chun Bao and Mr. Song Zi Zhang, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the remuneration committee. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for Directors and senior management of the Company and the establishment of formal and transparent procedures for formulating the remuneration policy.

The following table sets out the attendance of the committee's meeting in 2016:

Committee members	Attendance/number of meetings
Zhou Jin Hui	1/1
Yang Chun Bao	1/1
Song Zi Zhang	1/1

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company has established the Nomination Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary responsibilities include (i) reviewing and supervising the framework, number of members and composition of the Board and making proposals to the Board in respect of any changes to be made and identifying and nominating suitable persons for appointment of Director; (ii) to asses the independence of independent non-executive directors and review their annual confirmations on the independence; and (iii) to review the Board diversity policy and the progress on achieving the objectives set for implementing the policy.

As at 31 December 2016, the Nomination Committee comprises of one executive Director, Mr. Zhou Jin Hui and two independent non-executive Directors, Mr. Yang Chun Bao and Mr. Song Zi Zhang, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the nomination committee.

The following table sets out the attendance of the committee's meeting in 2016:

Committee members	Attendance/number of meetings
Zhou Jin Hui	1/1
Yang Chun Bao	1/1
Song Zi Zhang	1/1

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with the code provision A.6.5 of the Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

COMPANY SECRETARY

The Board had appointed Mr. Chan Chi Wai Benny ("Mr. Chan") as the company secretary (the "Company Secretary") and an authorised representative of the Company on 9 April 2014. During the year, Mr. Chan undertook over 15 hours professional training to update his skill and knowledge in compliance with Rule 5.15 of the GEM Listing Rule.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that board procedures are followed and facilitating communications among Directors as well as with Shareholders and management.

The Company Secretary's biographies are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this report.

AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company by the auditors of the Company, Ascenda Cachet CPA Limited amounted to HK$980,000 and HK$115,000 (equivalent to RMB875,000 and RMB101,000), respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This report is compiled with the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 to the GEM Listing Rules and aims to disclose to investors the contributions made by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. and its subsidiaries (the "Group") in the aspects of environment and community activities from 1 January 2016 to 31 December 2016.

The Group understands that "sustainability" is particularly important to the long-term development of the Group, the society as well as our next generation. The Group maintained a high standard of corporate social responsibility and strictly complied with relevant laws and regulations.

The Group will introduce the environmental protection and social welfare activities that the Group participated in below in the "Environmental" and "Social" sections. The Group sincerely hopes that the work can foster the "sustainability" development of the society.

ENVIRONMENTAL

In recent years, the problem of human-made pollution to the natural ecology has become increasingly serious. Since 2016, the Group has formally included environmental protection into its operational objectives and responsibilities. The Group is committed to reducing the harm done by operational activities to the natural ecology, improving the Group's staff's habit of energy consumption in the Company, encouraging staff to use natural resources in a responsible manner and reduce waste in daily life. As the Group's principal business activities involve plant production and office administration, the Group's environmental protection work mainly focuses on energy-saving at office and environmental-friendly production.

Emissions

As the Group is a manufacturer capable of producing various types of fire-fighting equipments in China, the Group's manufacturing process produces a small amount of waste water, solid wastes and to a lesser extent gases. Such process does not cause any material damage to the environment, therefore, the Group do not have significant air emissions and discharges into water, besides the non-hazardous solid wastes generated manufacturing plant during our operations.

There were no non-compliance cases noted in relation to environmental laws and regulations as of 31 December 2016.

Energy-saving at office

The Group encourages staff member to save energy during daily work so as to contribute to the environment. Lights and air conditioners are turned off when they are not in use, or are set at the energy-saving mode. In the daytime, the Group makes good use of daylight.

Environmentally friendly production

Since mid-2016, the Group's environmental requirements include efficient use of raw materials and minimize production wastage.

SOCIAL

I. Employment and Labour Practices

Employment and Labour Standards

The remuneration policy of the Group adjusts employees' salary level based on their nature of work, education and experience, etc. to ensure that all employees are entitled to reasonable rewards.

The Group attaches great importance to the cultivation of talents. When the Group expands its business and there are management vacancies, internal promotion will be first considered for those who are competent.

The Group is building a team which allows employees to have equal promotion opportunities when opportunities arise. The Group strictly complies with Labour Law in China which includes anti-discrimination sections and does not engage in any fraud or child labour. In the process of annual appraisal, the Group decides the level of salary increase and promotion opportunities based solely on the work performance, experience and skills of employees.

Staff are required to have good standards of professional ethics and personal qualities. There are strict requirements regarding staff's conduct in the Group's human resources policy. All staff are aware of the policy.

There were no non-compliance cases noted in relation to labour Standards law and regulations as of 31 December 2016.

Staff Composition

As at 31 December 2016, the Group employed a total of 247 staff members within the Group. All staff members are allocated in China. The Gender ratio is 70% Male to 30% Female. 8% of staff within the age from 18 to 29, 12% of staff within the age from 36 to 39, 36% of staff within the age from 40–49, 44% of staff age 50 or above.

Employee Health and Safety

The Group recognizes the importance of providing a safe and enjoyable working environment to staff. The keys to maintaining the health of our staff are to maintain adequate communication with them, fully understand and take care of their needs, and improve their working conditions as well. There were no non-compliance cases noted in relation to health and safety law and regulations as of 31 December 2016.

Training and Development

The Group hopes that our staff can grow together with the Group. All staff are encouraged to take part in external training courses related to their jobs.

II. Operating Practices

Supply Chain Management

The Group has internal control measures to ensure the impartiality of the process and the performance of all suppliers and contractors are reported and monitored. The factors that the Group takes into consideration during the selection of suppliers or contractors include: price, specification and quality of the product, service quality and product support.

Product Responsibility

Prior to appointing any supplier, the Group's purchasing team would conduct a field trip to obtain the supplier's valid production licence and business licence, the quality evaluation of the sample and other information. Only after confirming that the relevant raw materials are harmless to the environment would the Group use those materials for product manufacturing.

There were no non-compliance cases noted in relation to health and safety, advertising, labelling and privacy matters as of 31 December 2016.

Anti-Corruption

During the year, the management of the Group did not find any cases of bribery or fraud. Through the established code of conduct and reporting mechanism, as well as the controlled environment developed by all staff throughout the years, the Group believes that the risk of the occurrence of fraud behaviour has been minimized. The Group will continue to monitor the related risks so as to maximize the values for the shareholders and other related parties.

There were no non-compliance cases noted in relation to corruption related laws and regulations as of 31 December 2016.

Future Approach Towards Sustainable Development

Facing the future, the Group has the following prospects:

- Introduce the principles of environmentally-friendly production and operation to every production process and office operation;
- Encourage the staff to join more community activities, raise the civil awareness of all staff within the Group and offer help to those in need in the society; and
- Improve the all-round development of the staff and workers.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company and its subsidiaries are the manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products), provision of fire technology inspection services, installation and inspection of marine fire-fighting equipment business, commission received on trading of sanitary-ware and sales of aquarium products and other products.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business can be found in the Management Discussion and Analysis set out on pages 5 to 7 of this annual report. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company at the date are set out in the consolidated financial statements on pages 33 to 105.

The directors of the Company do not recommend the payment of any dividend in respect of the year (2015: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 106. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant, equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL

There is no change in registered, issued and fully paid capital of the Company during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' REPORT

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, redeem or sell any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2016, calculated under the Company Law of the People's Republic of China (the "PRC", being the jurisdiction in which the Company were established) amounted to Nil.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the total sales and total purchases, respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors of the Company as of the date of this report were:

Executive Directors:
Mr. Zhou Jin Hui
Mr. Shi Hui Xing
Mr. Zhou Guo Ping

Independent non-executive directors:
Mr. Yang Chun Bao
Mr. Wang Guo Zhong
Mr. Song Zi Zhang

The Company has received annual confirmations of independence from Mr. Yang Chun Bao, Mr. Wang Guo Zhong and Mr. Song Zi Zhang and still considers them to be independent as at the date of this report.

DIRECTORS' REPORT

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company for a term of three years. Directors can be re-elected upon expiration of the term. On 27 June 2014, the Company has re-elected Directors with a term until the commencement of the 2017 general meeting where re-election would be conducted.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries were a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company nor any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 2016, the interests and short positions of the Directors 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 Share Capital total issued
Mr. Zhou Jin Hui *(Note 1)*	Held by controlled corporation	133,170,000	71.05%

Note:

1. 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, 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 Hengtai and 20% by Mr. Zhou Jin Hui.

Save as disclosed above, as at 31 December 2016, none of the Directors 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 December 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified to the Company of relevant interests and short positions in the issued share capital 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:

1. All represent domestic shares of the Company.

2. 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.

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 (the "2016 Loan"). The 2016 Loan was repaid and the Pledged Shares were released on 12 January 2017. On the same date, Liancheng have pledged the Pledged Shares in favour of the Lender as a security for a loan amount of RMB198,000,000 (the "2017 Loan") provided by the Lender to Liancheng. The Pledged Shares will be released if Liancheng make 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, as at 31 December 2016 the Company has not been notified by any substantial shareholders of the Company other than the Directors or chief executives, who had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Company are set out in note 34 to the financial statements. The Company has sold fire extinguisher steel cylinders and aluminum cylinders to ZhongLian Cheng fire fighting Technology Group Company Limited and its subsidiaries and Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.. The independent non- executive Directors have examined and confirmed that:

(i) these transactions were executed in the ordinary and usual course of business of the Company;

(ii) these transactions were executed on normal commercial terms or on terms not less favourable than those given to (or obtained from, wherever applicable) independent third parties (if no comparable transaction can be referred to judge whether the transaction was executed on normal commercial terms); and

(iii) these transactions were executed in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole.

Ascenda Cachet CPA Limited ("Cachet"), the Company's auditors, had been engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Cachet have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Cachet has confirmed that:

a. nothing has come to Cachet's attention that causes Cachet to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to Cachet's attention that causes Cachet to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to Cachet attention that causes Cachet to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of the disclosed continuing connected transactions set out in note 34(a) to the financial statements under "Sales of goods" of related party transactions and balances, nothing has come to Cachet's attention that causes Cachet to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the announcement dated 3 April 2014 made by the Company in respect of the continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

AUDITORS

There have been no changes of auditors in the past three years. A resolution to re-appoint Ascenda Cachet CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Zhou Jin Hui
Chairman

Shanghai, The PRC
24 March 2017

* *for identification purposes only*

INDEPENDENT AUDITOR'S REPORT

Ascenda CACHET 天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

TO THE MEMBERS OF
SHANGHAI QINGPU FIRE-FIGHTING EQUIPMENT CO., LTD.
(A joint stock limited company established in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 105, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Provision for impairment of trade and bills receivables

Refer to notes 2.4 and 3 of the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and note 19 of the financial statements for further information.

The Key Audit Matter	How the matter was addressed in our audit
The carrying amount of the Group's trade and bills receivables was approximately RMB43,333,000 as at 31 December 2016. The impairment of trade and bills receivables was estimated by the management through the application of judgment and use of assumptions. The Group's policy for recognition of impairment on trade and bills receivables is based on the evaluation of collectibility, ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. Based on the management's assessment on the recoverability of trade and bills receivables, the management concluded that the carrying amount of trade and bills receivables was appropriate as at 31 December 2016.	Our procedures in relation to the provision for impairment of the Group's trade and bills receivables included, among others the following: • assessing the design and implementation of key controls over the impairment assessment process; • evaluating the methodologies, inputs and assumptions used and checked, on a sample basis, the accuracy and relevance of information included by the management in calculating impairment allowances; • obtaining direct external confirmations for a sample of trade receivable balances and vouched post year end cash receipts for a sample of year-end trade receivable balances; and • recalculating the amount of impairment allowances on trade and bills receivables. Based on our work, we noted no significant issues on the provision for impairment of trade and bills receivables.

KEY AUDIT MATTERS (CONTINUED)

2. Determination of the net realisable value of inventories

Refer to notes 2.4 and 3 of the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and note 18 of the financial statements for further information.

The Key Audit Matter	How the matter was addressed in our audit
The carrying amount of the Group's inventories was approximately RMB12,641,000 as at 31 December 2016. Management determined the net realisable value of the inventories by using the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, which involved significant estimates and assumptions. The determination of the basis of write down is a significant judgement based on historical experience of stock losses and expected future sales prices. Based on the management's determination of the net realisable value of the inventories, the management concluded that the carrying amount of inventories was appropriate as at 31 December 2016.	Our procedures in relation to the determination of the net realisable value of the Group's inventories included, among others the following: • identifying any old or damaged inventories during the physical inventory count; • obtaining the inventory ageing analysis; • assessing the design and implementation of key controls over the impairment assessment process; • assessing the methodology and assumptions used in the calculation of the net realisable value of the inventories; and recalculating the amount of write down in inventories; • recalculating, on a sample basis, the weighted average cost of the inventories; and • checking, on a sample basis, the accuracy and relevance of the selling prices of the inventories subsequent to year-end. Based on our work, we found the carrying amount of the inventories to be supported by the available evidence.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs promulgated by IASB and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entitles or business activities with the Group to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Yuk Tong.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	**73,500**	67,679
Cost of sales		**(53,701)**	(52,961)
Gross profit		**19,799**	14,718
Other income and gains	5	**3,667**	4,734
Selling and distribution expenses		**(2,873)**	(2,757)
Administrative expenses		**(18,908)**	(17,160)
Finance costs	7	**(464)**	–
Profit/(loss) before tax	6	**1,221**	(465)
Income tax expense	10	**(975)**	(1,378)
Profit/(loss) for the year		**246**	(1,843)
Attributable to:			
Owners of the Company		**317**	(1,070)
Non-controlling interests		**(71)**	(773)
		246	(1,843)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic (RMB cents)		**0.17**	(0.57)
Diluted (RMB cents)		**0.17**	(0.57)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**246**	(1,843)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**-**	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**246**	(1,843)
Attributable to:		
Owners of the Company	**317**	(1,070)
Non-controlling interests	**(71)**	(773)
	246	(1,843)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**15,288**	15,809
Investment properties	*14*	**23,270**	22,630
Prepaid land lease payments	*15*	**112**	115
Goodwill	*16*	**4,211**	–
Intangible assets	*17*	**1,575**	1,755
Total non-current assets		**44,456**	40,309
CURRENT ASSETS			
Inventories	*18*	**12,641**	13,646
Trade and bills receivables	*19*	**43,333**	25,820
Prepayments, deposits and other receivables	*20*	**8,029**	11,078
Due from related companies	*21*	**847**	1,168
Cash and cash equivalents	*23*	**17,512**	28,499
Total current assets		**82,362**	80,211
CURRENT LIABILITIES			
Trade payables	*24*	**12,449**	7,910
Other payables and accruals	*25*	**11,143**	7,191
Due to the immediate holding company	*26*	**906**	906
Due to non-controlling interest	*26*	**1,451**	1,451
Due to a related company	*26*	**2,798**	2,798
Interest-bearing bank borrowing	*27*	**-**	2,490
Tax payables		**504**	43
Total current liabilities		**29,251**	22,789
NET CURRENT ASSETS		**53,111**	57,422
TOTAL ASSETS LESS CURRENT LIABILITIES		**97,567**	97,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**97,567**	97,731
NON-CURRENT LIABILITIES			
Loan from the immediate holding company	*26*	**7,800**	7,800
Deferred tax liabilities	*22(b)*	**5,393**	5,233
Total non-current liabilities		**13,193**	13,033
Net assets		**84,374**	84,698
EQUITY			
Equity attributable to owners of the Company			
Paid up capital	*28*	**18,743**	18,743
Reserves	*29*	**66,650**	66,333
		85,393	85,076
Non-controlling interests		**(1,019)**	(378)
Total equity		**84,374**	84,698

Zhou Jin Hui
Director

Shi Hui Xing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Company									
	Issued capital	**Share premium account***	**Capital reserve***	**Statutory reserve funds***	**Discretionary common reserve fund***	**Asset revaluation reserve***	**Accumulated Losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 28)	*(note 29 (i))*	*(note 29 (ii))*	*(note 29 (iii))*	*(note 29 (iv))*					
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 and total comprehensive loss for the year	-	-	-	-	-	-	(1,070)	(1,070)	(773)	(1,843)
Transfer to statuary reserve funds	-	-	-	205	-	-	(205)	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	2,040	2,040
At 31 December 2015	18,743	10,910	43,655	6,443	1,500	11,299	(7,474)	85,076	(378)	84,698
At 1 January 2016:	**18,743**	**10,910**	**43,655**	**6,443**	**1,500**	**11,299**	**(7,474)**	**85,076**	**(378)**	**84,698**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**317**	**317**	**(71)**	**246**
Transfer to statuary reserve funds	**-**	**-**	**-**	**218**	**-**	**-**	**(218)**	**-**	**-**	**-**
Dividend paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(570)**	**(570)**
At 31 December 2016	**18,743**	**10,910**	**43,655**	**6,661**	**1,500**	**11,299**	**(7,375)**	**85,393**	**(1,019)**	**84,374**

* These reserve accounts comprise the consolidated reserves of approximately RMB66,650,000 (2015: approximately RMB66,333,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**1,221**	(465)
Adjustments for:			
Finance costs	*7*	**464**	–
Amortisation of prepaid land lease payments	*6*	**3**	3
Depreciation of property, plant and equipment	*6*	**1,341**	2,337
Amortisation of intangible assets	*6*	**180**	45
Loss on disposal of items of property, plant and equipment	*6*	**-**	13
Fair value gains on investment properties	*5*	**(640)**	(680)
Write off of items of property, plant and equipment	*6*	**-**	11
Write down of inventories to net realisable value	*6*	**524**	–
Impairment of trade and bills receivables	*6*	**460**	221
Reversal of impairment of trade and bills receivables		**(47)**	–
Interest income	*5*	**(30)**	(24)
Income from investment products	*5*	**(235)**	(955)
		3,241	506
Decrease in inventories		**481**	2,002
Increase in trade and bills receivables		**(13,203)**	(10,377)
Decrease in prepayments, deposits and other receivables		**3,084**	3,727
Increase/(decrease) in trade payables		**2,204**	(1,960)
Increase/(decrease) in other payables and accruals		**2,386**	(3,231)
Decrease in amounts due from related companies		**321**	506
Cash used in operations		**(1,486)**	(8,827)
Corporate income tax paid		**(354)**	(1,571)
Net cash flows used in operating activities		**(1,840)**	(10,398)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	*13*	**(820)**	(1,232)
Proceeds from disposal of items of property, plant and equipment		**-**	209
Acquisition of a subsidiary	*30*	**(5,068)**	–
Interest received		**30**	24
Income from investment products		**235**	955
Net cash flows used in investing activities		**(5,623)**	(44)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by non-controlling interest of a subsidiary		**-**	240
New bank loan		**7,510**	2,490
Repayment of bank loan		**(10,000)**	–
Dividend paid to non-controlling interests		**(570)**	–
Interest paid	*7*	**(464)**	–
Net cash flows (used in)/from financing activities		**(3,524)**	2,730
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,987)**	(7,712)
Cash and cash equivalents at beginning of year		**28,499**	36,211
CASH AND CASH EQUIVALENTS AT END OF YEAR		**17,512**	28,499
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**17,512**	28,499

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") was transformed into a joint stock limited liability company in the People's Republic of China (the "PRC") 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 (the "Stock Exchange").

During the year, 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 sales of iron casted grooved couplings;
- marine fire-fighting equipment installation and inspection;
- trading of sanitary-ware and other products; and
- sales 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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the subsidiaries of the Company were as follows:

Name	Place of establishment and business	Registered capital/paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
上海黎明消防檢測有限公司 *+ (Shanghai Liming Fire Testing Co., Limited) ("Liming")	The People's Republic of China (The "PRC")	RMB5,000,000	90%	–	Provision of fire technology inspection services
上海鐵錨壓力容器（集團）有限公司*+ (Shanghai Anchor Pressure Vessel (Group) Limited) ("Anchor")	PRC	RMB70,000,000	90%	9%	Investment holding
上海元奉高壓容器有限公司*+ (Shanghai Yuanfeng Pressure Vessels Co., Limited)	PRC	RMB5,000,000	–	94.05%	Manufacturing and sales of pressure vessels
上海元蓬國際貿易有限公司*+ (Shanghai J.S.X. International Trading Corporation)	PRC	RMB5,000,000	–	94.05%	Trading of pressure vessels
上海高壓特種氣瓶有限公司*@+ (Shanghai Pressure Special Gas Cylinder Co., Limited) ("Special Cylinder")	PRC	RMB19,170,000#	–	59.4%	Manufacturing and sales of pressure vessels
上海荻野生物科技有限公司*+ (Shanghai Ogino Biotechnology Co., Limited) ("Shanghai Ogino")	PRC	RMB4,000,000	–	44.1%^	Sales of aquarium products
上海安航海上消防設備有限公司*+ (Shanghai An Hang Marine Fire-Fighting Equipment Co., Limited) ("Shanghai An Hang")	PRC	RMB5,000,000	90%	9%	Marine fire-fighting equipment installation and inspection

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

* Ascenda Cachet CPA Limited is not the statutory auditor of the subsidiaries.

@ Pursuant to the supplemental agreement entered into by Anchor and the non-controlling interests, 54% and 46% of the net profit of Special Cylinder would be shared by Anchor and non-controlling interests, respectively.

+ These subsidiaries are registered as limited liability companies established in the PRC.

The total registered/paid up capital of Special Cylinder is RMB19.17 million, of which 40% of the capital should be contributed by 上海洋涇工業公司 (literally translated as Shanghai Yangjing Industrial Co., "Yangjing") by transferring the legal title of the land use right together with the property and buildings constructed thereon (the "Relevant Property") to Special Cylinder. The legal title of the Relevant Property has not yet been transferred to Special Cylinder as at the end of the reporting period and date of approving these financial statements. The legal title of the Relevant Property is held by 上海廣洋企業發展總公司 (literally translated as Shanghai Guangyang Enterprise Development Corp., the holding company of Yangjing, "Guangyang") but the Relevant Property has been used by Special Cylinder. As Guangyang is still the legal owner of the Relevant Property, the prepaid land lease payments and buildings have not been recognised but recorded as amount due by the Yangjing included in non-controlling interests in the consolidated statement of financial position as at 31 December 2015 and 2016. Accordingly, the amortisation/depreciation of the Relevant Property of approximately RMB296,000 for each of the year ended 31 December 2015 and 2016 was not provided for in the consolidated financial statements.

As advised by the PRC legal advisers to the Group, (i) the entity(ies) recorded in the register of equity interest holders shall be recognised as the legal equity interest holders of the company and such entity(ies) can legally claim and exercise its rights as an equity interest holder of the company; (ii) Yangjing was, and is, recorded in the Company Shareholder (Promoter) Investment Information (公司股東（發起人）出資信息) of Special Cylinder, which is a type of register of equity interest holders, as the holder of 40% equity interest in Special Cylinder, and therefore, Yangjing was, and is, the legal holder of the 40% equity interest in Special Cylinder; and (iii) Yangjing's status as the legal holder of 40% equity interest in Special Cylinder shall not be affected by the failure of Yangjing in completing its capital contribution obligation but pursuant to the PRC Company Law and judicial interpretations thereto, Special Cylinder is entitled to require Yangjing to procure the transfer of the legal title of the Relevant Property to Special Cylinder.

^ Shanghai Ogino is classified as a subsidiary of the Group by virtue of the Group's control over it.

All the percentages of equity attributable to the Company remain unchanged with previous year except when otherwise indicated.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) promulgated by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of consolidated financial statements. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. RMB is the Company's functional and presentation currency.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised standards, which are applicable to the Group, for the first time for the current year's financial statements:

Amendments IFRS 10, IFRS 12, and IAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
IFRS 14	Regulatory Deferral Accounts
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments IFRS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

Other than as explained below regarding the impact of Amendments IFRS 10, IFRS 12 and IAS 28 (2011), IFRS 14, Amendments to IAS 27 (2011), and certain amendments included in the Annual Improvement 2012–2014 Cycle, the adoption of the above new and revised standards has had no significant financial effect on these financial statements:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in the financial statements. The amendments clarify:

(i) the material requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the assets is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 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 financial statements:

IFRS 9	Financial Instrument [2]
Amendments to IFRS 10 And IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
IFRS 15	Revenue from Contracts with Customers [2]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers [2]
IFRS 16	Leases [3]
Amendments to IAS 7	Disclosure Initiative [1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [1]

[1] Effective for annual period beginning on or after 1 January 2017
[2] Effective for annual period beginning on or after 1 January 2018
[3] Effective for annual period beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB published the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

IFRS 15 establishes a new five-step model that to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In June 2016, the IASB issued amendments to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to January 2018. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17. The Group is currently assessing the impact of the standard upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. Merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control consolidation occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The assets and liabilities of the acquired entities or businesses are combined using the existing book values from the controlling party's perspective.

No amount is recognised as consideration for goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination, to the extent of the continuation of the controlling party's interest. Any excess of the consideration paid over the net carrying amount of the acquired entities are recognised in capital reserve.

Comparative amounts in the consolidated financial statements are presented using the principles as set out above as if the entities or businesses had been combined at the previous reporting date unless the combining entities or businesses first came under common control at a later date.

Business combinations not under common control and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination not under common control, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business not under common control, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations not under common control and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The useful lives for this purpose are as follows:

Buildings	Over the shorter of the lease terms and 40 years
Machinery	8 to 10 years
Furniture, fixtures and computer equipment	6 to 10 years
Motor vehicles	4 to 8 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of the investment properties are included in the statement of profit or loss in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

Intangible assets (other than goodwill)

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and Licenses

Patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, and amount due to/loan from the immediate holding company, amount due to non-controlling interest and a related company. The financial liabilities are classified and accounted for as loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

The employees of the Group which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) from the rendering of services, when the services are provided;

(iii) commission income, when the services are provided;

(iv) rental income, on a time proportion basis over the lease terms; and

(v) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's and the Group's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Consolidation of entities in which the Group holds less than a majority of effective equity interest

The Group determines whether an equity investment should be classified as a subsidiary and has developed criteria in making that judgement. A subsidiary is an entity controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Judgement is made on an individual basis to determine the extent of power the Group held over the investee. The Group considers that it controls Shanghai Ogino even though it owns less than 50% of the effective equity interest.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was RMB4,211,000 (2015: Nil). Further details are given in note 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset exceeds it recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables and other receivables

The policy for the provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of property, plant and equipment and prepaid land lease payments

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions in response to severe industry cycle. Management will revise the depreciation charge where useful lives are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets

The estimated useful life is generally the term of the patent and trademark. Using the patent and trademark term reflects the period over which the Group will receive economic benefit. The estimated useful economic life reflects the Group's expectation of the period over which the Group will continue to receive economic benefit from the patent and trademark. The economic lives are periodically reviewed taking into consideration such factors as changes.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2016 was RMB23,270,000 (2015: RMB22,630,000).

Further details, including the key assumptions used for fair value measurement are given in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven (2015: six) 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;

(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.

The marine fire-fighting segment was commenced during the year 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.

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2016

	Fire fighting equipment RMB'000	Inspection services RMB'000	Grooved couplings RMB'000	Trading RMB'000	Aquarium products RMB'000	Marine fire-fighting RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue:								
Sales/services provided to external customers	46,555	13,128	-	1,219	5,768	6,830	-	73,500
Gross rental income	-	-	-	-	-	-	2,166	2,166
	46,555	13,128	-	1,219	5,768	6,830	2,166	75,666
Segments results	(5,218)	3,020	-	1,219	336	314	2,806	2,477
Reconciliation:								
Interest income								30
Income from investment products								235
Other income								251
Corporate and unallocated expenses								(1,308)
Finance costs								(464)
Profit before tax								1,221
Segment assets	48,076	8,805	-	30,290	4,908	11,469	23,270	126,818
Unallocated assets								-
Total assets								126,818
Segment liabilities	13,588	2,097	-	1,885	538	5,313	-	23,421
Unallocated liabilities								19,023
Total liabilities								42,444
Capital expenditure *	539	11	-	-	270	-	-	820
Impairment of trade and bills receivables	-	-	-	-	-	460	-	460
Write down of inventories to net realisable value	524	-	-	-	-	-	-	524
Reversal of impairment of trade and bills receivables	(47)	-	-	-	-	-	-	(47)
Depreciation and amortisation	1,104	234	-	-	186	-	-	1,524

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2015

	Fire fighting equipment RMB'000	Inspection services RMB'000	Grooved couplings RMB'000	Trading RMB'000	Aquarium products RMB'000	Property investment RMB'000	Total RMB'000
Segment revenue:							
Sales/services provided to external customers	51,352	12,295	–	2,283	1,749	–	67,679
Gross rental income	–	–	–	–	–	2,403	2,403
	51,352	12,295	–	2,283	1,749	2,403	70,082
Segments results	(7,719)	3,245	–	2,283	31	2,963	803
Reconciliation:							
Interest income							24
Income from investment products							955
Other income							505
Corporate and unallocated expenses							(2,752)
Loss before tax							(465)
Segment assets	70,242	12,535	–	10,644	4,469	22,630	120,520
Unallocated assets							–
Total assets							120,520
Segment liabilities	15,582	1,879	–	–	447	–	17,908
Unallocated liabilities							17,914
Total liabilities							35,822
Capital expenditure *	565	–	–	–	2,467	–	3,032
Impairment of trade receivables	221	–	–	–	–	–	221
Depreciation and amortisation	2,135	202	–	–	45	–	2,382

* Capital expenditure consists of additions to property, plant and equipment and the incorporation of a subsidiary.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2016 RMB'000	2015 RMB'000
PRC	**65,204**	62,679
United States of America	**3,064**	–
European Union	**5,221**	5,000
Other countries	**11**	–
	73,500	67,679

(b) Non-current assets

Non-current assets are principally located in the PRC.

Information about major customers

For the years ended 31 December 2016 and 2015, there were no revenue from sales to any single external customer that contributed over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of sales of goods, provision of fire technology inspection services, commission income, and provision of marine fire-fighting equipment installation and inspection services, net of business tax, value-added tax, trade discounts and returns during the year.

An analysis of revenue, other income and gains is as follows:

	2016	2015
	RMB'000	RMB'000
Revenue		
Sales of pressure vessels	**46,555**	51,352
Inspection service fees	**12,080**	12,295
Sales of aquarium products	**5,768**	1,749
Commission income	**1,219**	2,283
Sales of marine fire-fighting equipment	**6,830**	–
Marine fire-fighting equipment inspection service fees	**1,048**	–
Total revenue	**73,500**	67,679
Other income and gains		
Interest income	**30**	24
Income from investment products	**235**	955
Gross rental income	**2,166**	2,403
Sales of scraps	**263**	102
Fair value gains on investment properties	**640**	680
Exchange gain, net	**7**	54
Reversal of impairment of trade and bills receivables	**47**	–
Government grant	**28**	–
Others	**251**	516
Total other income and gains	**3,667**	4,734
Total revenue, other income and gains	**77,167**	72,413

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2016 RMB'000	2015 RMB'000
Cost of inventories sold		**44,811**	45,688
Cost of services provided		**8,890**	7,273
		53,701	52,961
Amortisation of prepaid land lease payments	*15*	**3**	3
Amortisation of intangible assets	*17*	**180**	45
Depreciation of property, plant and equipment	*13*	**1,341**	2,337
Minimum lease payments under operating leases:			
Land and buildings		**1,251**	1,807
Auditors' remuneration:			
Assurance services		**875**	755
Other services		**101**	385
Add: under-provision for previous year		**-**	44
		976	1,184
Write-off of items of property, plant and equipment		**-**	11
Impairment of trade and bills receivables	*19*	**460**	221
Write down of inventories to net realisable value	*18*	**524**	–
Employee benefits expenses (including directors' and supervisors' remuneration):			
Wages and salaries		**13,123**	10,898
Pension scheme contributions		**3,413**	3,387
		16,536	14,285
Exchange gain, net	*5*	**(7)**	(54)
Loss on disposal of items of property, plant and equipment		**-**	13
Direct operating expenses arising from rental-earning investment properties		**15**	120
Reversal of impairment of trade and bills receivables	*5*	**(47)**	–
Fair value gains on investment properties	*14*	**(640)**	(680)
Interest income	*5*	**(30)**	(24)
Income from investment products	*5*	**(235)**	(955)

* The amortisation of patents and trademark for the year are included in "administrative expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank borrowing	**464**	–

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and sections 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Directors' fees:		
Independent non-executive directors	**90**	90
Other emoluments:		
Salaries, allowances and benefits in kind	**204**	318
Pension scheme contributions	**55**	52
	259	370
	349	460
Supervisors' emoluments:		
Salaries, allowances and other benefits in kind	**124**	118

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 RMB'000	2015 RMB'000
Mr. Yang Chun Bao	30	30
Mr. Wang Guo Zhong	30	30
Mr. Song Zi Zhang	30	30
	90	90

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

(b) Executive directors, non-executive directors and supervisors

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2016				
Executive directors				
Zhou Jin Hui	-	-	-	-
Shi Hui Xing	-	130	44	174
Zhou Guo Ping	-	74	11	85
	-	204	55	259
Supervisors				
Mao Jiang Wei	-	-	-	-
Zhao Da Rong	-	53	9	62
Wan Xi Zhong	-	53	9	62
	-	106	18	124
Total	-	310	73	383

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and supervisors (Continued)

	Notes	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2015					
Executive directors					
Zhou Jin Hui		–	–	–	–
Shi Hui Xing		–	174	30	204
Zhou Guo Ping		–	72	11	83
		–	246	41	287
Non-executive directors					
Chai Xiao Fang	*(a)*	–	–	–	–
Shen Jian Zhong	*(a)*	–	72	11	83
		–	72	11	83
Supervisors					
Mao Jiang Wei		–	–	–	–
Zhao Da Rong		–	51	7	58
Wan Xi Zhong		–	51	9	60
		–	102	16	118
Total		–	420	68	488

(a) resigned on 1 December 2015.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2015: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2015: four) highest paid employees who are neither a director nor supervisor of the Company, are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**548**	517
Pension scheme contributions	**146**	71
	694	588

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2016	2015
Nil to RMB1,000,000	**4**	4

10. 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 year ended 31 December 2016 (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 year ended 31 December 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%. Two (2015: one) of the Company's subsidiaries 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, these two subsidiaries were subject to the concessionary CIT rates of 10% of assessable profits (i.e. 20% on the 50% assessable profits) and 1% of its revenue (i.e. at a rate of 25% on 4% of its revenue), respectively, for the year ended 31 December 2016.

10. INCOME TAX (CONTINUED)

	2016 RMB'000	2015 RMB'000
Current — the PRC:		
Charge for the year	**999**	1,145
(Over)/under-provision in prior year	**(184)**	63
	815	1,208
Deferred tax (note 22(b))	**160**	170
Total tax charge for the year	**975**	1,378

The deferred tax effect of tax losses was not recognised in the financial statements due to the uncertainty of future profits streams against which the assets can be utilised. These tax loss benefits will be expired in the next five years, details of which are set out in note 22(a) to the financial statements.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries in which the Group are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2016 RMB'000	%	2015 RMB'000	%
Profit/(loss) before tax	**1,221**		(465)	
Tax at statutory tax rate at 25%	**305**	**25**	(116)	25
Effect of concessionary tax rates	**(108)**	**(9)**	(4)	1
Tax effect of non-deductible expenses	**168**	**13**	752	(162)
Tax effect of non-taxable income	**(121)**	**(10)**	(177)	38
Tax effect on temporary differences not recognised *(note 22(a))*	**119**	**10**	3	(1)
Tax effect of tax losses not recognised/(utilised) *(note 22(a))*	**802**	**66**	866	(186)
(Over)/under-provision in prior years	**(184)**	**(15)**	63	(13)
Others	**(6)**	**-**	(9)	2
Tax charge at the Group's effective tax rate	**975**	**80**	1,378	(296)

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

The calculation of basic earnings/(loss) per share amounts is based on the profit attributable to ordinary equity holders of the Company of RMB317,000 (2015: loss of RMB1,070,000) and the number of ordinary shares of 187,430,000 (2015: 187,430,000) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts for the years ended 31 December 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

12. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and computer equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016						
At 1 January 2016:						
Cost	9,364	44,831	2,694	2,459	-	59,348
Accumulated depreciation	(1,108)	(38,412)	(2,052)	(1,967)	-	(43,539)
Net carrying amount	8,256	6,419	642	492	-	15,809
At 1 January 2016, net of accumulated depreciation	8,256	6,419	642	492	-	15,809
Additions	-	169	238	-	413	820
Depreciation provided during the year *(note 6)*	(232)	(737)	(196)	(176)	-	(1,341)
At 31 December 2016, net of accumulated depreciation	8,024	5,851	684	316	413	15,288
At 31 December 2016:						
Cost	9,364	45,000	2,932	2,459	413	60,168
Accumulated depreciation	(1,340)	(39,149)	(2,248)	(2,143)	-	(44,880)
Net carrying amount	8,024	5,851	684	316	413	15,288

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2015					
At 1 January 2015:					
Cost	3,991	44,500	2,302	2,367	53,160
Accumulated depreciation	(962)	(36,569)	(1,932)	(1,740)	(41,203)
Net carrying amount	3,029	7,931	370	627	11,957
At 1 January 2015, net of accumulated depreciation	3,029	7,931	370	627	11,957
Additions	183	343	392	314	1,232
Transfer from investment properties *(note (b) &14)*	5,190	–	–	–	5,190
Write-off	–	(11)	–	–	(11)
Disposals	–	–	–	(222)	(222)
Depreciation provided during the year	(146)	(1,844)	(120)	(227)	(2,337)
At 31 December 2015, net of accumulated depreciation	8,256	6,419	642	492	15,809
At 31 December 2015:					
Cost	9,364	44,831	2,694	2,459	59,348
Accumulated depreciation	(1,108)	(38,412)	(2,052)	(1,967)	(43,539)
Net carrying amount	8,256	6,419	642	492	15,809

The buildings together with the prepaid land lease (note 15) are situated in the PRC under medium term leases.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

a. As detailed in note 1 to the financial statements, the legal title of the Relevant Property has not yet been transferred to one of the Company's indirectly owned subsidiary, Special Cylinder, as at the end of the reporting period and the date of approving these financial statements, but the Relevant Property has been used by Special Cylinder. As Guangyang is still the legal owner of the Relevant Property, the prepaid land lease payments and buildings have not been recognised but included in non-controlling interests in the consolidated statement of financial position as at 31 December 2016 and 2015. Accordingly, the amortisation/depreciation of the Relevant Property of approximately RMB296,000 for each of the years ended 31 December 2015 and 2016 was not provided for in the consolidated financial statements.

b. As at 1 September 2015, an investment property situated in the PRC was transferred from investment properties to owner-occupied property at a fair value of RMB5,190,000 (note 14). The deemed cost of the aforesaid property is the fair value at the date of change in use (i.e. RMB5,190,000) . The aforesaid property was previously leased to an independent third party for earning rental income. Pursuant to a resolution passed at a meeting of the board of directors, the Company has changed its intention of holding the property for the Group's own used since 1 September 2015.

c. Certain of the Group's plant and machineries (the "Plant") were situated on certain land and buildings (the "Leased Property"), which was previously owned by the former immediate holding company, 上海華盛企業（集團）有限公司 (literally translated as "Shanghai Huasheng Enterprises (Group) Co., Ltd. ("Huasheng")), which had granted a lease (the "Original Tenancy") to use to the Company in October 2008. The Leased Property had been pledged to secure bank loans granted by a bank (the "Bank") to Huasheng in March 2005. In May 2012, the Bank put the Leased Property into auction (the "Auction"). The Leased Property was acquired by the current landlord (the "Current Landlord", an independent third party) on 9 May 2013.

   In 2015, the Current Landlord filed a suit (the "First Legal Case") in the Qingpu District People's Court ("青浦區人民法院") (the "Court") against the Company in respect of (i) requesting the Company to move out from the Leased Property; and (ii) paying rental expenses for the period from 9 May 2013 to 8 May 2015 as the Current Landlord is of the view that the Original Tenancy is not legally valid because the Original Tenancy was entered into between Huasheng and the Company without the consent of the Bank at the time or subsequently rectified by the Current Landlord. During the year, the Court decided that (i) the Company had to move out from the Leased Property within 10 days of the Civil Judgment; and (ii) the Company had to pay the related rental expenses for the period from 9 May 2013 to the date moved out from the Leased Property.

   As the further requisition on executing the Court's decision by the Current Landlord, the Court has ruled on the extent of the related rental expenses for the period from 9 May 2016 to 31 December 2016. The execution of the Court's decision in the First Legal Case is still in progress as at 31 December 2016 and the date of approving these financial statements as the Company filed a suit with the Court against the Current Landlord for recovering the construction costs of the underground facilities and the buildings (the "Counter-claimed Constructions") as the Company is of the view that (i) the Counter-claimed Constructions were constructed by the Company with the approval of Huasheng and therefore belonged to the Company; and (ii) the Counter-claimed Constructions had been excluded from the First Legal Case and the Auction.

   In the opinion of the directors of the Company, there was no significant financial impact on the Group as (i) the related rental expenses for the period from 9 May 2013 to 31 December 2016 have been accrued and charged to the consolidated statement of profit or loss for the year ended 31 December 2016; and (ii) the Plant can be relocated to other factory premises owned by the Group without significant relocation losses and expenses or significant disruption to its operations.

14. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**22,630**	27,140
Transfer to property, plant and equipment *(note 13)*	**-**	(5,190)
Net gain from a fair value adjustment *(note 5)*	**640**	680
Carrying amount at 31 December	**23,270**	22,630

The investment property as at 31 December 2015 and 2016 represented an industry property located at 740 and 777 Zhonggu Street, Zhonggu Town, Qingpu District, Shanghai, the PRC (中國上海市青浦區重固鎮重固大街740及777號) (the "Zhonggu Factories") under a medium term lease and was pledged for the banking facilities granted to the Group (note 27).

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 specific schedule or compensation proposal for resumption of the Zhonggu Factories. The Zhonggu Factories are currently leased to a third party.

The Zhonggu Factories were revalued on 31 December 2016 by Asset Appraisal Limited, independent professionally qualified valuers (the "Valuer"), at RMB23,270,000. The net gain on fair value adjustment of RMB640,000 is recognised in the line item "other income and gains" in the consolidated statement of profit and loss.

The Group's finance department, including the finance manager, reviewed the valuation performed by the Valuer for financial reporting purpose. At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1)	**Significant observable input (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurement for:				
Industrial property located in the PRC	**–**	**–**	**23,270**	**23,270**

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Industrial property located in the PRC	–	–	22,630	22,630

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties as at 31 December 2016:

For the year ended 31 December 2016

Description	Fair value at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable Inputs	Relationship of unobservable inputs to fair value
Industrial property	RMB23,270,000	Comparison Approach	(i) Monthly rental	RMB15.32/Sq m to RMB40.54/Sq m	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield	9%	The higher the per annum reversionary yield, the lower the fair value
			(ii) Market unit sale rate	RMB2,900/Sq m	The higher the market per annum rate, the higher the fair value

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements.

15. PREPAID LAND LEASE PAYMENTS

	2016	2015
	RMB'000	RMB'000
Carrying amount at 1 January	**119**	122
Amortisation during the year	**(3)**	(3)
Carrying amount at 31 December	**116**	119
Current portion included in prepayments, deposits and other receivables *(note 20)*	**(4)**	(4)
Non-current portion	**112**	115

16. GOODWILL

	Marine fire-fighting equipment installation and inspection CGU
	RMB'000
At 1 January 2016	–
Goodwill arising from acquisition of a subsidiary:	
Shanghai An Hang *(note 30)*	4,211
Net carrying amount at 31 December 2016	4,211
At 31 December 2016	
Cost	4,211
Accumulated impairment	–
Net carrying amount	4,211

Marine fire-fighting equipment installation and inspection CGU

Goodwill acquired through business combination during the year has been allocated to the marine fire-fighting equipment installation and inspection cash generating unit (the "Marine Installation and inspection CGU") (note 30).

Impairment test of goodwill for the year ended 31 December 2016

Goodwill (amounting to approximately RMB4,211,000) in connection with the Marine Installation and Inspection CGU arose from the acquisition of Shanghai An Hang, representing the difference between the Company's consideration transferred and Shanghai An Hang's identifiable net assets acquired on the completion date (i.e. 1 February 2016). At 31 December 2016, the directors of the Company conducted assessments of the recoverable amounts of the Marine Installation and Inspection CGU with reference to the valuations conducted by the Valuer with recognised qualifications and experiences, using the income approach methodology. The cash flow projections are based on financial budgets approved by management. The discount rate applied to the cash flow projections is 15.67%. Based on the assessments, in the opinion of the directors of the Company, the estimated recoverable amount of the Marine Installation and Inspection CGU was higher than its corresponding carrying amount and therefore, no impairment of goodwill in connection with the Marine Installation and Inspection CGU was required at 31 December 2016.

17. INTANGIBLE ASSETS

	Patents and trademarks of aquarium products RMB'000
31 December 2016	
At 1 January 2016	
Cost	**1,800**
Accumulated amortisation	**(45)**
Net carrying amount	**1,755**
At 1 January 2016, net of accumulated amortisation	**1,755**
Amortisation provided during the year *(note 6)*	**(180)**
At 31 December 2016	**1,575**
At 31 December 2016	
Cost	**1,800**
Accumulated amortisation	**(225)**
Net carrying amount	**1,575**
31 December 2015	
At 1 January 2015	–
Additions	1,800
Amortisation provided during the year	(45)
At 31 December 2015	1,755
At 31 December 2015	
Cost	1,800
Accumulated amortisation	(45)
Net carrying amount	1,755

Patents and trademarks were acquired by the Group as part of the establishment of a non-wholly owned subsidiary in 2015.

18. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**6,223**	5,520
Work in progress	**2,503**	3,400
Finished goods	**3,671**	4,495
Low cost consumables	**244**	231
	12,641	13,646

At 31 December 2016, the Group's inventories with cost of RMB524,000 (2015: Nil) are stated at its net realisable value amounted to RMBNil (2015: Nil).

19. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**41,990**	26,218
Less: Impairment	**(1,978)**	(1,897)
	40,012	24,321
Bills receivables	**3,321**	1,499
	43,333	25,820

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 two 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. The movements in provision for impairment of trade receivable are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**1,897**	1,909
Impairment losses recognised	**460**	221
Amount written off as uncollectible	**(332)**	(233)
Impairment losses reversed (note 5)	**(47)**	–
At 31 December	**1,978**	1,897

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB1,978,000 (2015: approximately RMB1,897,000) with carrying amounts before provision of approximately RMB2,049,000 (2015: approximately RMB1,968,000).

An aged analysis of the trade and bills receivables as at the end of reporting period, based on the invoice date, is as follows:

	2016	2015
	RMB'000	RMB'000
Within 1 month	**8,245**	6,804
1 to 2 months	**5,622**	1,109
2 to 3 months	**2,945**	3,527
3 to 6 months	**9,039**	1,489
6 to 12 months	**13,960**	12,636
1 to 2 years	**2,835**	79
Over 2 years	**687**	176
	43,333	25,820

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**16,301**	9,989
Less than 1 month past due	**1,300**	1,445
1 to 3 months past due	**8,088**	1,901
3 to 6 months past due	**10,585**	12,160
6 to 12 months past due	**5,479**	74
More than 1 year past due	**1,509**	180
	43,262	25,749

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Prepayments	**605**	1,270
Trade deposits paid	**5,316**	6,868
Prepaid land lease payments *(note 15)*	**4**	4
Other receivables	**2,104**	2,936
	8,029	11,078

None of the above assets is either past due or impaired (2015: Nil). The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. DUE FROM RELATED COMPANIES

	Note	**2016** **RMB'000**	2015 RMB'000
Name			
Related companies			
上海石化消防工程有限公司 (literally translated as "Shanghai Petro-Chemical Fire-fighting Engineering Company Limited", "SPFE")	*(i)*	**144**	344
上海聯滬消防器材有限公司 (literally translated as "Shanghai Lianhu Fire-fighting Equipment Company Limited", "SLFE")	*(i)*	**703**	824
		847	1,168

Note:

(i) SPFE and SLFE were controlled by Zhejiang Hengtai, the ultimate holding company of the Group in 2015. As part of the restructuring of the ultimate holding company, the equity interests of SPFE and SLFE held by Zhejiang Hengtai were transferred to 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"), a company under common control of Zhou Jin Feng who is the director of Zhejiang Hengtai and ZLCFT, in 2016.

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment. These balances as at 31 December 2015 and 2016 were trade in nature.

22. DEFERRED TAX

(a) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses and impairment of trade receivables and write down of inventories to net realisable value (collectively the "Impairment of Assets") arising from the operation in the PRC as it is not considered probable that future taxable profits will be available against which the losses could be utilised. During the year, no unused tax loss of the Group has expired (2015: RMB163,000).

At the end of the reporting periods, the movement of unrecognised deferred tax assets in respect of tax benefits from tax losses and other assets of the Group are as follows:

	Impairment of assets	**Tax losses**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2015	639	859	1,498
Expired during the year	–	(163)	(163)
Not recognised during the year *(note 10)*	(3)	866	863
At 31 December 2015 and 1 January 2016	**636**	**1,562**	**2,198**
Not recognised during the year *(note 10)*	**119**	**802**	**921**
At 31 December 2016	**755**	**2,364**	**3,119**

At the end of the reporting period, the Group's tax losses will be expired in the following years:

	2016	2015
	RMB'000	RMB'000
In 2021	**3,208**	–
In 2020	**3,464**	3,464
In 2019	**2,784**	2,784
	9,456	6,248

22. DEFERRED TAX (CONTINUED)

(b) Deferred tax liabilities

	Fair value changes in the investment properties RMB'000
At 1 January 2015	5,063
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	170
At 31 December 2015 and 1 January 2016	**5,233**
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	**160**
At 31 December 2016	**5,393**

23. CASH AND CASH EQUIVALENTS

	2016 **RMB'000**	2015 RMB'000
Cash at banks	**17,477**	28,375
Cash on hand	**35**	124
	17,512	28,499

The cash and bank balances were denominated in Renminbi ("RMB"). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

Included in the cash at banks, approximately RMB1,792,000 was frozen by the court regarding to the legal case mentioned in note 13(c) to the financial statements.

24. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	RMB'000	RMB'000
Within 1 month	**4,561**	2,678
1 to 2 months	**1,317**	2,083
2 to 3 months	**555**	653
Over 3 months	**6,016**	2,496
	12,449	7,910

All of the trade payables are non-interest-bearing and are normally settled within one year.

25. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	RMB'000
Other payables	**2,559**	2,347
Accruals	**3,809**	3,729
Trade deposits received	**4,350**	916
Value added tax payables	**425**	199
	11,143	7,191

Other payables and accruals are non-interest-bearing and normally settled within one year.

26. DUE TO/LOAN FROM THE IMMEDIATE HOLDING COMPANY, DUE TO NON-CONTROLLING INTEREST AND A RELATED COMPANY

Long term 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, which was extended for another two years. On 20 December 2016, Liancheng agreed to further extend the term of the Facility to 30 May 2018. As at 31 December 2016, the amount of the loan drawn-down by the Company from Liancheng under the Facility was RMB7,800,000 (2015: RMB7,800,000).

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

Due to non-controlling interest and a related company

The amounts due to non-controlling interest and a related company are unsecured, interest-free and have no fixed terms of repayment.

The shareholder of the related company is one of the directors of the Company.

27. INTEREST-BEARING BANK BORROWING

	Effective interest rate (%)	**Maturity**	**2016 RMB'000**	2015 RMB'000
Bank loan — secured	5.43	2016	**-**	2,490

In 2015, the Group's banking facilities amounting to RMB10,000,000, RMB2,490,000 of which was utilised as at 31 December 2015, was secured by (i) mortgages over the investment properties of the Company with carrying amount of RMB22,630,000 as at 31 December 2015; and (ii) a personal guarantee provided by a director of the Company. The Group's interest-bearing bank borrowing was repaid during the year.

28. SHARE CAPITAL

	2016 RMB'000	2015 RMB'000
Registered, issued and fully paid:		
131,870,000 unlisted domestic shares ("Domestic Shares") of RMB0.10 each	**13,187**	13,187
55,560,000 overseas listed foreign invested shares ("H Shares") of RMB0.10 each	**5,556**	5,556
	18,743	18,743

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

Share premium arose from the issuance of share at prices in excess of their par value.

(ii) Capital reserve

	Other reserve RMB'000	Reversal of revaluation surplus of property, plant and equipment RMB'000	Waiver of amount due to the immediate holding company RMB'000	Total RMB'000
At 31 December 2015 and at 31 December 2016	18,521	(1,733)	26,867	43,655

29. RESERVES (CONTINUED)

(ii) Capital reserve (Continued)

Reversal of revaluation surplus of property, plant and equipment

Pursuant to a shareholders' resolution in October 2000, the Company was converted from a limited liability company into a joint stock limited liability company on 1 December 2000. The Company's registered and issued share capital was RMB13,187,000, divided into 131,870,000 Domestic Shares of RMB0.10 each, and was credited as fully paid by capitalising all the Company's then paid-in capital and reserves, calculated based on the Company's PRC GAAP financial statements.

The deficit of approximately RMB1,733,000 in capital reserve of the Company represents the excess of the net assets of the Company calculated based on its PRC GAAP financial statements over that calculated based on its financial statements prepared under IFRS when the conversion took place in 2000. Such excess was resulted from a transfer of equity capital between investors of Shanghai Qingpu Fire-Fighting Equipment Factory in 1996, the Company's property, plant and equipment was revalued, and a revaluation surplus of approximately RMB1,733,000 was recorded as paid-in capital in its PRC GAAP financial statements. In the Group's financial statements prepared under IFRS, all property, plant and equipment was stated at historical cost. Accordingly, an adjustment of the same amount was recorded as a deficit of capital reserve.

Other reserve

This reserve arose from the acquisition of the Anchor Group from Liancheng (the immediate holding company) which was considered by the directors of the Company as business combination under common control of Liancheng and represents the difference between (i) the consideration paid by the Company to Liancheng and (ii) the net assets of the Anchor Group at the date of 11 April 2011 (being the acquisition date of the Anchor Group by Liancheng).

(iii) Statutory reserve fund

According to the PRC regulations and the relevant Articles of Association, each of the Company and its subsidiaries established in the PRC is required to transfer 10% of its respective profit after tax, as determined under the PRC accounting standards and regulations, to statutory reserve fund until the fund reaches 50% of the respective companies' registered capital. The transfer to this reserve must be made before distributing dividends to the respective companies' shareholders.

The statutory reserve fund can be used to make up for previous years' losses, if any. It may be converted into share capital by issuing new shares to the respective companies' shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

29. RESERVES (CONTINUED)

(iv) Discretionary common reserve fund

Each of the Company and its subsidiaries established in the PRC may, at its discretion and subject to approval of its respective shareholders, transfer its retained earnings balance to its discretionary common reserve fund. The usage of discretionary common reserve fund is similar to that of the statutory reserve fund.

30. BUSINESS COMBINATION

Shanghai An Hang Acquisition

On 26 January 2016, the Group and certain 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 interest of Shanghai An Hang Marine Fire-Fighting Equipment Co., Ltd ("Shanghai An Hang") (the "Shanghai An Hang Acquisition") for a cash consideration of RMB6,000,000, which was satisfied by cash. The Shanghai An Hang Acquisition was completed on 1 February 2016 (the "Completion Date").

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:

	Note	**Fair value recognised on the Shanghai An Hang Acquisition** RMB'000
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)
Total identifiable net assets at fair value		1,789
Goodwill on the Shanghai An Hang Acquisition	*16*	4,211
Cash consideration		6,000

30. BUSINESS COMBINATION (CONTINUED)

Shanghai An Hang Acquisition (Continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB4,673,000 and RMB10,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB4,673,000 and RMB2,510,000, respectively.

Included in the goodwill of approximately RMB4,211,000 recognised above is the benefit of expected business prospects and other intangibles such as certifications and technical know-how of Shanghai An Hang as well as the synergy created.

An analysis of the cash flows in respect of the Shanghai An Hang Acquisition is as follows:

	RMB'000
Cash consideration	(6,000)
Cash and bank balances acquired	932
Net outflow of cash and cash equivalents included in cash flows from investing activities	(5,068)

Since the Shanghai An Hang completion, Shanghai An Hang contributed approximately RMB7,878,000 to the Group's revenue and contributed profit of approximately RMB435,000 to the consolidated result for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the Group's revenue and profit for the year would have been approximately RMB8,578,000 and approximately RMB531,000, respectively.

31. PLEDGE OF ASSETS

Details of the Group's bank borrowing, which was secured by the investment properties of the Group, were included in note 27, respectively, to the financial statements.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties to independent third parties under operating leases arrangements with the leases negotiated for terms for 1 year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

	2016	2015
	RMB'000	RMB'000
Within one year	**1,236**	1,602
In the second to fifth years, inclusive	**-**	–
	1,236	1,602

(b) As lessee

The Group leases certain land and buildings from independent third parties under operating lease arrangements. Leases for land and properties are negotiated for terms ranging from 1 to 20 years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases with its owners falling due as follows:

	2016	2015
	RMB'000	RMB'000
Within one year	**308**	691
In the second to fifth years, inclusive	**680**	1,300
After five years	**750**	973
	1,738	2,964

33. CAPITAL 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.

34. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties, which also constitute continuing connected transactions under the GEM Listing Rules, during the year:

	2016	2015
	RMB'000	RMB'000
Sales of goods		
SPFE	**291**	261
SLFE	**249**	309
ZLCFT	**552**	–
Zhejiang Hengtai	**5**	–
	1,097	570
Inspection services income		
SPFE	**182**	109
Liancheng	**34**	129
	216	238

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) Key management personnel of the Group are the directors and supervisors of the Company. Details of their remuneration are included in note 8 to the consolidated financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

31 December 2016

Financial assets

	Loans and receivables	
	2016	2015
	RMB'000	RMB'000
Trade and bills receivables	**43,333**	25,820
Financial assets included in prepayments, deposits and other receivables	**7,424**	9,808
Due from related companies	**847**	1,168
Cash and bank balances	**17,512**	28,499
	69,116	65,295

Financial liabilities

	Financial liabilities at amortised cost	
	2016	2015
	RMB'000	RMB'000
Trade payables	**12,449**	7,910
Financial liabilities include in other payables and accruals	**10,718**	6,992
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	**-**	2,490
Loan from the immediate holding company	**7,800**	7,800
	36,122	30,347

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2015 and 2016.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and bank balances, trade and bills receivables, and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group had no significant interest-bearing financial assets and liabilities with a floating interest rate at 31 December 2016. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balance and amounts due from fellow subsidiaries, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality and state-owned banks with good reputation in the PRC.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of other borrowings.

On 3 December 2010, the ultimate controlling shareholder, Zhejiang Hengtai, and the immediate holding company, Liancheng, have undertaken to collectively provide the Facility in the sum of not exceeding RMB50 million to the Company for a term of five years, extendable at the discretion of Liancheng for further two years. On 20 December 2016, Liancheng agreed to further extend the term of the Facility to 30 May 2018. As at 31 December 2016, RMB7,800,000 has been drawn down by the Company.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, is as follows:

31 December 2016

	On demand or no fixed repayment terms RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	12,449	-	-	12,449
Other payables and accruals	10,718	-	-	10,718
Due to the immediate holding company	906	-	-	906
Due to non-controlling interests	1,451	-	-	1,451
Due to a related company	2,798	-	-	2,798
Loan from the immediate holding company	-	-	7,800	7,800
	28,322	-	7,800	36,122

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2015

	On demand or no fixed repayment terms RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	7,910	–	–	7,910
Other payables and accruals	6,992	–	–	6,992
Due to the immediate holding company	906	–	–	906
Due to non-controlling interests	1,451	–	–	1,451
Due to a related company	2,798	–	–	2,798
Interest-bearing bank borrowing	–	2,490	–	2,490
Loan from the immediate holding company	–	–	7,800	7,800
	20,057	2,490	7,800	30,347

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, other payables and accruals, amounts due to/loan from the immediate holding company, and the amounts due to non-controlling interests and a related company, less cash and cash equivalents. Capital includes equity attributable to owners of the Group. The gearing ratios as at the end of reporting periods were as follows:

	2016	2015
	RMB'000	RMB'000
Trade payables	**12,449**	7,910
Other payables and accruals	**11,143**	7,191
Due to the immediate holding company	**906**	906
Due to non-controlling interests	**1,451**	1,451
Due to a related company	**2,798**	2,798
Interest-bearing bank borrowing	**-**	2,490
Loan from the immediate holding company	**7,800**	7,800
Less: Cash and cash equivalents	**(17,512)**	(28,499)
Net debt	**19,035**	2,047
Equity attributable to owners of the Company	**85,393**	85,076
Capital and net debt	**104,428**	87,123
Gearing ratio	**18.23%**	2.3%

39. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised IFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**9,912**	9,906
Investment properties	**23,270**	22,630
Prepaid land lease payments	**112**	115
Investment in subsidiaries	**15,300**	9,900
Total non-current assets	**48,594**	42,551
CURRENT ASSETS		
Inventories	**3,402**	4,876
Trade and bills receivables	**27,038**	14,085
Prepayments, deposits and other receivables	**2,190**	9,411
Due from related companies	**841**	1,168
Due from subsidiaries	**2,302**	2,909
Cash and cash equivalents	**3,336**	8,990
Total current assets	**39,109**	41,439
CURRENT LIABILITIES		
Trade payables	**2,534**	2,232
Other payables and accruals	**3,659**	3,350
Due to the immediate holding company	**906**	906
Interest-bearing bank borrowing	**-**	2,490
Total current liabilities	**7,099**	8,978
NET CURRENT ASSETS	**32,010**	32,461
TOTAL ASSETS LESS CURRENT LIABILITIES	**80,604**	75,012

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES		
Loan from the immediate holding company	**7,800**	7,800
Deferred tax liabilities	**5,393**	5,233
Total non-current liabilities	**13,193**	13,033
Net assets	**67,411**	61,979
EQUITY		
Issued capital	**18,743**	18,743
Reserves	**48,668**	43,236
Total equity	**67,411**	61,979

Approved and authorised for issue by the board of directors on 24 March 2017.

Zhou Jin Hui
Director

Shi Hui Xing
Director

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Share premium account RMB'000 *note 29(i)*	Capital reserve RMB'000 *note 29(ii)*	Statutory reserve funds RMB'000 *note 29(iii)*	Discretionary common reserve fund RMB'000 *note 29(iv)*	Asset revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	10,910	25,134	5,036	1,500	11,299	(8,874)	45,005
Loss and total comprehensive loss for the year	–	–	–	–	–	(1,769)	(1,769)
At 31 December 2015	10,910	25,134	5,036	1,500	11,299	(10,643)	43,236
At 1 January 2016	**10,910**	**25,134**	**5,036**	**1,500**	**11,299**	**(10,643)**	**43,236**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**5,432**	**5,432**
At 31 December 2016	**10,910**	**25,134**	**5,036**	**1,500**	**11,299**	**(5,211)**	**48,668**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	2016 **RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
RESULTS					
REVENUE	**73,500**	67,679	117,486	113,411	100,484
Cost of sales	**(53,701)**	(52,961)	(96,119)	(90,024)	(80,561)
Gross profit	**19,799**	14,718	21,367	23,387	19,923
Other income and gains	**3,667**	4,734	7,070	4,520	4,762
Selling and distribution expenses	**(2,873)**	(2,757)	(2,476)	(2,874)	(2,819)
Administrative expenses	**(18,908)**	(17,160)	(17,496)	(15,226)	(14,858)
Finance costs	**(464)**	–	–	–	–
PROFIT/(LOSS) BEFORE TAX	**1,221**	(465)	8,465	9,807	7,008
Tax	**(975)**	(1,378)	(2,463)	(1,718)	(768)
PROFIT/(LOSS) FOR THE YEAR	**246**	(1,843)	6,002	8,089	6,240
Attributable to:					
Owners of the Company	**317**	(1,070)	7,334	7,839	5,804
Non-controlling interests	**(71)**	(773)	(1,332)	250	436
	246	(1,843)	6,002	8,089	6,240
ASSETS AND LIABILITIES					
TOTAL ASSETS	**126,818**	120,520	123,217	119,650	113,239
TOTAL LIABILITIES	**(42,444)**	(35,822)	(38,716)	(41,132)	(42,536)
NON-CONTROLLING INTERESTS	**1,019**	378	1,645	333	344
	85,393	85,076	86,146	78,851	71,047

* Due to the application of merger accounting for business combination under common control, which involved incorporating the financial statement items of the Anchor Group, which was acquired by the Group during the year ended 31 December 2013, in which the common control consolidation had occurred as if they had been consolidated since 11 April 2011, the date when the combining entities or businesses first came under the control of the controlling party. Accordingly, the comparative consolidated financial statements for the year ended 31 December 2012 have been restated.

This summary does not form part of the audited consolidated financial statements.