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)

THIRD QUARTERLY REPORT 2019

* *For identification purpose only*

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Shanghai Qingpu Fire-Fighting Equipment Co. Ltd (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. 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.

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

QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the "Board") of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company" and together with its subsidiaries, collectively the "Group") is pleased to announce the unaudited condensed consolidated statement of comprehensive income of the Group for the nine months ended 30 September 2019 together with its unaudited comparative figures for the corresponding period in 2018, as follows:

		Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
		2019	2018	**2019**	2018
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	*3*	**23,039**	19,826	**60,429**	50,834
Cost of sales		**(19,633)**	(15,678)	**(49,335)**	(39,283)
Gross profit		**3,406**	4,148	**11,094**	11,551
Other income and gains	*3*	**383**	163	**882**	643
Selling and distribution expenses		**(739)**	(747)	**(2,126)**	(2,058)
Administrative expenses		**(8,720)**	(3,483)	**(15,459)**	(11,286)
Finance costs		**–**	–	**(77)**	(5)
Loss before tax	*4*	**(5,670)**	81	**(5,686)**	(1,155)
Income tax expense	*5*	**(110)**	(251)	**(337)**	(868)
Loss for the period and total comprehensive loss for the period		**(5,780)**	(170)	**(6,023)**	(2,023)
Attributable to:					
Owners of the Company		**(3,524)**	(488)	**(4,579)**	(2,567)
Non-controlling interests		**(2,256)**	318	**(1,444)**	544
		(5,780)	(170)	**(6,023)**	(2,023)
Loss per share attributable to ordinary equity holders of the company (RMB)					
— Basic (cents)	*6*	**(1.88)**	(0.26)	**(2.44)**	(1.37)
— Diluted (cents)		**(1.88)**	(0.26)	**(2.44)**	(1.37)

Notes:

1. GENERAL

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") and was transformed into a joint stock limited liability company on 1 December 2000 and was renamed as Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. ("上海青浦消防器材股份有限公司"). The registered office of the Company is located at No. 1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC and its principal place of business in Hong Kong is situated at Unit 2605, Island Place Tower, 510 King's Road, North Point, Hong Kong.

The Company's H shares are listed on the GEM of The Stock Exchange of Hong Kong Limited.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of the Stock Exchange. The financial information has been prepared under the historical convention, except for investment properties which are measured at fair value.

The unaudited condensed financial statements for the nine months ended 30 September 2019 are unaudited, but have been reviewed by the audit committee of the Company.

Other than the adoption of the accounting policies and the new and revised IFRSs, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. Except for IFRS 16, Leases, none of these developments has had a material effect on how the Group's results for the current or prior periods have been prepared or presented in this report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. TURNOVER, OTHER INCOME AND GAINS

Revenue represents income arising from the Group's principal activities, being manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products), provision of fire technology inspection services, trading of iron casted grooved couplings, sale of aquarium products, commission income from trading of sanitary-ware and other products and marine fire-fighting equipment installation and inspection, net of business tax, value-added tax, trade discounts and returns during the period.

An analysis of the Group's revenue, other income and gains is as follows:

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue				
Sales of pressure vessels	**14,570**	15,353	**36,762**	31,832
Inspection service rendered	**1,746**	1,681	**5,846**	6,819
Commission income on trading of sanitary-ware and other products	**–**	–	**–**	22
Sales of aquarium products	**3,264**	2,082	**10,994**	6,875
Sales of marine fire-fighting equipment	**2,992**	678	**6,229**	4,694
Marine fire-fighting equipment inspection fees	**467**	32	**598**	592
	23,039	19,826	**60,429**	50,834
Other income and gains				
Interest income	**123**	8	**141**	29
Sales of scraps	**228**	29	**483**	105
Government grant	**32**	126	**258**	509
	383	163	**882**	643
Total revenue, other income and gains	**23,422**	19,989	**61,311**	51,477

4. LOSS BEFORE TAX

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

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amortisation of prepaid land lease payment	**–**	–	**2**	2
Amortisation of intangible assets	**45**	45	**135**	135
Depreciation on property, plant and equipment	**280**	380	**840**	1,139
Depreciation on right-of-use assets	**128**	–	**384**	–
Interest on lease liabilities included in finance costs	**–**	–	**43**	–
Staff costs	**4,730**	4,123	**12,830**	12,369
Auditors' remuneration	**–**	–	**–**	–
Impairment of items of property, plant and equipment and inventories	**4,235**	–	**4,235**	–

5. 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 nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

Under the Corporate Income Tax Law, the corporate income tax ("CIT") rate is calculated at a rate of 25% (nine months ended 30 September 2018: 25%) on the Group's estimated assessable profits for the nine months ended 30 September 2019.

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%. Four of the Company's subsidiaries and a branch of a subsidiary have been designated as a small-scale enterprise and were subject to the concessionary CIT rates of 10% of assessable profits (i.e. 20% on the 50% assessable profits), for the nine months ended 30 September 2019 and 2018.

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current tax — PRC				
Provision for the period	**110**	251	**337**	868

For the nine months ended 30 September 2019, the unrecognised deferred tax assets in respect of tax benefits from unrecognised tax losses of the Group is approximately RMB2,541,000 (nine months ended 30 September 2018: approximately RMB1,248,000). The Group did not have any material unprovided deferred tax liabilities for the nine months ended 30 September 2019 and 2018 as the temporary differences are immaterial.

6. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of loss per share for the three months ended 30 September 2019 is based on the loss attributable to ordinary equity holders of the Company of approximately RMB3,524,000 (three months ended 30 September 2018: approximately RMB488,000) and on the number of 187,430,000 (30 September 2018: 187,430,000) ordinary shares in issue during the period.

The calculation of the loss per share for the nine months ended 30 September 2019 is based on the loss attributable to equity holders of the Company of approximately RMB4,579,000 (nine months ended 30 September 2018: approximately RMB2,567,000) and on the number of 187,430,000 (30 September 2018: 187,430,000) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts for the nine months ended 30 September 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

7. DIVIDEND

No dividend have been paid or declared by the Group during the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

8. EQUITY

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium	Capital reserve	Statutory reserve fund	Discretionary common reserve fund	Asset revaluation reserve	Accumulated losses	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2019										
As at 1 January 2019	**18,743**	**10,910**	**43,655**	**6,936**	**1,500**	**11,299**	**(11,274)**	**81,769**	**1,092**	**82,861**
Profit/(loss) for the period and total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(4,579)**	**(4,579)**	**(1,444)**	**(6,023)**
As at 30 September 2019	**18,743**	**10,910**	**43,655**	**6,936**	**1,500**	**11,299**	**(15,853)**	**77,190**	**(352)**	**76,838**
Nine months ended 30 September 2018										
As at 1 January 2018	18,743	10,910	43,655	6,786	1,500	11,299	(7,730)	85,163	44	85,207
Profit/(loss) for the period and total comprehensive income/(loss) for the period	–	–	–	–	–	–	(2,567)	(2,567)	544	(2,023)
As at 30 September 2018	18,743	10,910	43,655	6,786	1,500	11,299	(10,297)	82,596	588	83,184

9. RELATED PARTY TRANSACTIONS

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

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Rental expenses				
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")	**–**	–	**34**	–
Sales of goods				
上海石化消防工程有限公司 (literally translated as "Shanghai Petro-Chemical Fire-fighting Engineering Company Limited", "SPFE")	**26**	–	**26**	–
上海聯滬消防器材有限公司 (literally translated as "Shanghai Lianhu Fire-fighting Equipment Company Limited", "SLFE")	**–**	–	**–**	32
	26	–	**26**	32
Inspection services income				
SPFE	**35**	24	**67**	193

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 to and contracted with third parties.

BUSINESS AND FINANCIAL REVIEW

Turnover

For the nine months ended 30 September 2019 (the "Current Period"), the Group recorded a turnover of approximately RMB60,429,000 (nine months ended 30 September 2018 (the "Corresponding Period"): RMB50,834,000), representing an increase of approximately 19% over the Corresponding Period, mainly due to an increase in sales of pressure vessels because of stock clearance sales to vacate a factory for converting its use from own production to lease out for rental in November 2019.

Gross profit

For the Current Period, the Group recorded overall gross profit of approximately RMB11,094,000 (Corresponding Period: RMB11,551,000), representing a gross profit ratio of 18% comparing to 23% for the Corresponding Period. The decrease was mainly attributed to a lower gross margin in the stock clearance sales of pressure vessels.

Other income and gains

Other income and gains for the Current Period increase by approximately RMB239,000 from RMB643,000 for the Corresponding Period to approximately RMB882,000. This is mainly due to an increase in sale of scraps.

Selling and distribution expenses

For the Current Period, the Group's selling and distribution expenses increased by approximately RMB68,000 from RMB2,058,000 for the Corresponding Period to approximately RMB2,126,000, representing an increase of approximately 3% over the Corresponding Period, mainly because of an increase in selling of pressure vessels.

Administrative expenses

For the Current Period, the Group's administrative expenses increased by 37% at approximately RMB15,459,000 (Corresponding Period: RMB11,286,000), mainly because of the impairment of the carrying value of inventories and machineries in preparing the factory for lease.

Finance costs

Finance costs of approximately RMB77,000 were recorded for the Current Period (Corresponding Period: RMB5,000). This is mainly comprised of interest expenses of lease liabilities and bank charges.

Loss for the period

For the Current Period, the Group recorded loss for the period of approximately RMB6,023,000 (Corresponding Period: approximately RMB2,023,000). Such loss during the Current Period was primary attributable to a decrease in inspection business and cost incurred to vacate a factory for lease.

Income tax

The effective tax rate of the Group is credit for the nine months ended 30 September 2019 and 2018 due to a net loss for the period.

Non-controlling interests

For the Current Period, loss for the period attributable to non-controlling interests are approximately RMB1,444,000 (Corresponding Period: profits of approximately RMB544,000) as the non-controlling interests of the Group share the loss of the loss-making companies of the Group. Such loss related mainly to the share by non-controlling interests in the subsidiaries incurring losses in vacating the factory for lease.

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. The new Guiding Opinion will be a driver for the Group's fire extinguisher products. In addition, the Company's fire extinguishers for non-marine use are granted the Certificate for Product Type Approval by the CCCF and its fire extinguishers for marine use are granted the Certificates of Type Approval by the China Classification Society, Shanghai Branch ("CCS"). The Company's pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the USA and the European Union.

Measures have been and will be implemented continuously to improve the operation efficiency and to control production costs. The Company has reduced profit margin on some products in the first quarter of 2019 in order to secure more orders but will continue to improve the profitability of the Group by increasing the operation efficiency and seeking for new business opportunities in fire-fighting industry.

Pursuant to the Letter on Confirmation of Land Redevelopment Proposal of Urban Villages located at Xin Lian Village and Mao Jia Jiao Village, Zhonggu Town, Qingpu District, Shanghai (《上海城鄉建設和管理委員會關於確認青浦區重固鎮新聯村、毛家角村"城中村"改造地塊實施方案的函》) (the "Zhonggu Land Redevelopment Proposal") issued by the Shanghai Urban-Rural Construction and Management Commission and based on the discussion between the management and the relevant government (the "PRC Government") officials, it has been confirmed that the Zhonggu Factories had been included in the Zhonggu Land Redevelopment Proposal.

On 25 December 2018, the Company has received a notice from Shanghai Qingpu District Housing Security and Housing Administration Bureau (上海市青浦區住房保障和房屋管理局) (the "Bureau"), confirming that the Zhonggu Factories are part of the state owned land resumption according to the Housing Expropriation and Compensation Regulations on State Owned Land (國有土地上房屋徵收與補償條例). On 14 March 2019, the Company has received a first draft valuation report dated 11 March 2019 (the "Report") from the Bureau. The valuation was done by Shanghai Real Estate Appraisers Co., Ltd. (上海房地產估值師事務所有限公司) selected by the Company and appointed by the Bureau. According to the Report, as at 28 January 2019 the compensation of the Zhonggu Factories, including but not limited to the land and building, is valued at RMB41,575,440. On 24 March 2019, according to relevant rules and regulations, in order to maximise the compensation for resumption of the Zhonggu Factories, the Company had logged in an objection to the Bureau against the value of the Zhonggu Factories in the Report. However, the Bureau has not yet formulated any specific schedule (other than an indicative completion date of 31 December 2019) or compensation proposal for resumption of such land parcels (including the Zhonggu Factories). The Bureau and the Company have not agreed on any special schedule or compensation proposal for resumption of the Zhonggu Factories.

The Zhonggu Factories are currently leased to a third party. Therefore, the resumption of the Zhonggu Factories has no material impact on the daily operation of the Group.

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

In September 2019, the Company's subsidiary, Shanghai Pressure Special Gas Cylinder Co., Ltd.* ("Special Cylinder") (上海高壓特種氣瓶有限公司), got an offer from an independent third party proposing to lease the entire factory for 15 years, at annual rent not less than RMB5,800,000. Considering insufficient orders for the past years, Special Cylinder has arranged stock clearance sales and started vacating the factor preparing to accept an offer which has no material impact on the Company's production and sale of pressure cylinders.

LONG TERM STRATEGY

We believe that the Company, with experienced management team, firm and clear development directions, ability to manufacture quality products and provision of quality services, will be able to sharpen the competitive edge. The Company will continue to develop new market of higher-margin products/businesses and consolidate manufacturing plants without material impacts on production and to increase profitability. The Company will 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 fire fighting service provider in the PRC.

* *For identification purpose only*

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

As at 30 September 2019, the interests and short positions of the Directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long positions in shares of the Company

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

Notes:

1. Liancheng holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a wholly-owned subsidiary of Liancheng, holds 1,300,000 H shares of the Company. Zhejiang Hengtai owns 80% of Liancheng and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai. Accordingly, Mr. Zhou Jin Hui is 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.

2. Liancheng holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a wholly-owned subsidiary of Liancheng, holds 1,300,000 H shares of the Company. Zhejiang Hengtai owns 80% of Liancheng. Accordingly, Zhejiang Hengtai is deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

3. On 12 January 2017, the board of directors of the Company was notified that, an aggregate of 131,870,000 domestic shares of the Company (the "Pledged Shares") held by Liancheng have been pledged in favour of an independent third party (the "Lender") as a security for a loan amount of RMB198,000,000 provided by the Lender to Liancheng (the "2017 Loan"). The Pledged Shares will be released if Liancheng makes a partial repayment amounting to RMB63,000,000 to the Lender. Relevant shares pledge registration procedures have been completed with China Securities Depository and Clearing Corporation Limited. As of 12 January 2017 and the date of this report, the Pledged Shares represent approximately 70.36% and 100% of the issued share capital and domestic shares of the Company, respectively.

Save as disclosed above, as at 30 September 2019, none of the Directors and supervisors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2019, the following person, other than the Director and supervisors of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares of the Company

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

Notes:

1. All represented domestic shares of the Company.

2. Liancheng holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a wholly-owned subsidiary of Liancheng, holds 1,300,000 H shares of the Company. Zhejiang Hengtai owns 80% of Liancheng. Accordingly, Zhejiang Hengtai is deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

3. On 12 January 2017, the board of directors of the Company was notified that, an aggregate of 131,870,000 domestic shares of the Company (the "Pledged Shares") held by Liancheng have been pledged in favour of an independent third party (the "Lender") as a security for a loan amount of RMB198,000,000 provided by the Lender to Liancheng (the "2017 Loan"). The Pledged Shares will be released if Liancheng makes a partial repayment amounting to RMB63,000,000 to the Lender. Relevant shares pledge registration procedures have been completed with China Securities Depository and Clearing Corporation Limited. As of 12 January 2017 and the date of this report, the Pledged Shares represent approximately 70.36% and 100% of the issued share capital and domestic shares of the Company, respectively.

Save as disclosed above, the Company has not been notified of any other person had relevant interests representing 5 percent or more in the issued shares capital of the Company as at 30 September 2019.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

To the best knowledge of the Board, save as disclosed in note 8 of this report, no contracts of significance in relation to the Company's business to which the Company was a party and in which any persons who were Directors or supervisors of the Company had a material interest, whether directly or indirectly, subsisted at 30 September 2019 or at any time during the nine months ended 30 September 2019.

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

During the nine months ended 30 September 2019, the Company did not purchase, sell or redeem any of the Company's listed securities.

CORPORATE GOVERNANCE

(1) Corporate Governance Practices

The Company is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Company. Pursuant to Rule 18.44(2) and Appendix 15 of the GEM Listing Rules, the Company wish to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 15 of the GEM Listing Rules (the "Code") during the nine months ended 30 September 2019.

(2) Directors' Securities Transactions

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

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group's unaudited condensed financial statements for the nine months ended 30 September 2019 and has provided advice and comments thereon.