THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "**Company**") you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

(1) VERY SUBSTANTIAL DISPOSAL TRANSACTION IN RELATION TO LAND RESUMPTION AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

The notice convening the EGM of the Company, to be held at 2/F, Block 4, No. 4621, Jiao Tong Road, PuTuo District, Shanghai, the PRC on Friday, 20 August 2021 at 10:00a.m., is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at Unit 2605, Island Place Tower, 510 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire. A reply slip for the purpose of informing the Company whether you will be attending (in person or by proxy) the EGM is also enclosed. You are reminded to complete and sign the reply slip (if you are entitled to attend the EGM) and return the signed slip to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 30 July 2021 in accordance with the instructions printed there on.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 circular 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 in this circular misleading.

This circular will remain on the "Latest Company Announcements" page of the GEM Website for at least 7 days from the date of its posting and on the Company website at www.shanghaiqingpu.com.

PRECAUTIONARY MEASURES FOR THE EGM

Please see below for measures being taken to try to prevent and control the spread of the Novel Coronavirus disease ("**COVID-19**") at the EGM, including:

- compulsory temperature check and health declaration
- compulsory wearing of surgical face mask throughout the EGM
- prohibit attendance at the EGM if the attendee has a fever. Persons exhibiting flu-like symptoms may also be refused admittance
- no corporate gifts will be distributed and no refreshments or drinks will be served at the EGM

Any person who does not comply with the above precautionary measures or is subject to any Government prescribed quarantine may be denied entry into the EGM venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution at the EGM as an alternative to attend the EGM in person.

DUE TO THE CONSTANTLY EVOLVING COVID-19 PANDEMIC SITUATION, THE COMPANY MAY BE REQUIRED TO CHANGE THE EGM ARRANGEMENTS AT SHORT NOTICE, SHAREHOLDERS SHOULD CHECK THE COMPANY'S WEBSITE FOR FURTHER ANNOUNCEMENTS AND UPDATES ON THE EGM ARRANGEMENTS.

* *For identification purpose only*

5 July 2021

CHARACTERISTIC OF GEM

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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of directors of the Company
"Company"	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 PRC with limited liability and the Shares of which are listed on the GEM
"connected person(s)"	has the same meaning ascribed thereto under the GEM Listing Rules
"Directors"	the directors of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB0.10 each, which are subscribed for in RMB by PRC nationals and/or PRC incorporated entities
"EGM"	the extraordinary general meeting of the Company to be held at 2/F, Block 4, No. 4621, Jiao Tong Road, PuTuo District, Shanghai, the PRC on Friday, 20 August 2021 at 10:00 a.m. for the purpose of, among other things, considering and, if thought fit, approving the Land Resumption Agreements and the transactions contemplated thereunder
"GEM"	The GEM of the Stock Exchange
"GEM Listing Rules"	Rules Governing the Listing of Securities on The GEM of the Stock Exchange
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB0.10 each, all of which are listed on the GEM, and subscribed for and traded in Hong Kong dollars
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	individuals who are or companies which are independent of and not connected (within the meaning of the GEM Listing Rules) with the Company and its connected person

"Latest Practicable Date"	30 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Land Resumption"	the proposed land resumption of the Zhonggu Factories by the Offices pursuant to the Land Resumption Agreements
"Land Resumption Agreements"	the three land resumption agreements entered into between the Company and the Offices (as the case maybe) on 7 June 2021 in respect of the Land Resumption
"Liancheng"	Liancheng Fire-Fighting Group Company Limited* (聯城消防集團有限公司), a joint stock limited company incorporated in the PRC
"Liancheng HK"	Liancheng Fire Protection Group (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability on 10 March 2009 and a wholly owned subsidiary of Liancheng
"Offices"	Qingpu District Zhonggu Town Land Resumption Office* (青浦區重固鎮房屋土地徵收辦公室) and Qingpu District Zhonggu Town Construction Land Usage Reduction Office* (青浦區重固鎮建設用地減量化工作辦公室)
"PRC"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance, Chapter 571, Laws of Hong Kong
"Share(s)"	the Domestic Share(s) and the H Share(s)
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Zhonggu Factories"	the land and industrial properties located at 740, 777 and 771–1 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, 777及771–1號)
"sq.m."	square meter(s)
"%" or "per cent."	percentage or per centum

For the purpose of this circular, unless otherwise stated, the exchange rate of HK$1.22 = RMB1.0 is for the purpose of illustration only and does not constitute a representation that any amounts in HK$ and RMB have been, could have been or may be converted at such rate or any other exchange rate.

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)

Executive Directors:
Mr. Zhou Jin Hui *(chairman)*
Mr. Shi Hui Xing
Mr. Zhou Guo Ping

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

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

5 July 2021

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL DISPOSAL TRANSACTION IN RELATION TO LAND RESUMPTION AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcement dated 26 January 2016, the announcement dated 18 March 2019, the announcement dated 25 March 2019, the announcement dated 31 May 2021 and the announcement dated 7 June 2021 of the Company in relation to the Land Resumption.

On 7 June 2021 (after trading hours), the Company entered into the Land Resumption Agreements with the Offices, in respect of the Land Resumption. Pursuant to the Land Resumption Agreements, the Company shall surrender the Zhonggu Factories to the Offices for an aggregate compensation of approximately RMB87.0 million (equivalent to approximately HK$106.1 million).

* *For identification purpose only*

LAND RESUMPTION AGREEMENTS

Date

7 June 2021 (after trading hours)

Parties (as the case maybe)

(1) Qingpu District Zhonggu Town Land Resumption Office*

(2) Qingpu District Zhonggu Town Construction Land Usage Reduction Office*

(3) The Company

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquires, the Offices and their ultimate beneficial owners are Independent Third Parties.

Pursuant to the Land Resumption Agreements, the Company shall vacate the relevant premises within 10 days upon effective of the Land Resumption Agreements. Should the Company be unable to vacate the premises within 10 days, the relevant one-off on-time relocation fee of approximately RMB10.84 million (equivalent to approximately HK$13.22 million) shall be forfeited. Furthermore, the Company shall not take away or demolish any construction materials and any auxiliary structures that were compensated under the Land Resumption Agreements. The Company shall hand over the entire bare shell of the Zhonggu Factories to the Offices.

If the Zhonggu Factories were leased to any third parties, compensation to such third parties (if any) shall only be settled by the Company. Should any third parties decline to vacate the premises at the required handover time, the Company shall be responsible for the relevant breach of the Land Resumption Agreements and the forfeiture of any relevant compensation of approximately RMB12.68 million (equivalent to approximately HK$15.47 million). The Zhonggu Factories were rented to an ex-tenant since 2011 and became idle since the suspension of utilities in 2017. On 27 May 2021, the Company entered into an agreement with the ex-tenant, pursuant to which, the Company agreed to pay a compensation of RMB4.0 million (equivalent to approximately HK$4.88 million) to the ex-tenant in respect of the Land Resumption.

The Zhonggu Factories

The Zhonggu Factories were located at 740, 777 and 777–1 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、777號及777–1號). Based on three Building and Land Use Rights Certificates (房地產權證) and records of the Zhonggu Factories, the three pieces of land had an aggregate area of 18,555 sq.m., which included (i) 23 buildings situated on the lands and specified in the three Building and Land Use Rights Certificates with an aggregated gross floor area of 8,742.73 sq.m. (as at the date of the Land Resumption Agreements, 5 out of the 23 buildings with a total gross floor area of 896 sq.m. have been demolished); and (ii) certain buildings and structures not specified in the three Building and Land Use Rights Certificates erected on the land parcels of the Zhonggu Factories with a total gross floor area of 2,787.59 sq.m.. The land use rights of the Zhonggu Factories have been granted for a term of 50 years for industrial use and will expire on 15 October 2050.

As at the Latest Practicable Date, the Zhonggu Factories were idle and did not generate any income in the past three financial years ended 31 December 2020. The aggregate book value of the Zhonggu Factories was approximately RMB24.3 million (equivalent to approximately HK$29.6 million) as at 31 December 2020.

Except for the fair value gain on the Zhonggu Factories of RMB240,000, RMB60,000 and RMB730,000 for the years ended 31 December 2018, 2019 and 2020, respectively, no other operating net profits of the Group were attributable by the Zhonggu Factories for the three financial years immediately preceding the date of the Land Resumption Agreements.

Compensation and Payment Terms

Pursuant to the Land Resumption Agreements, the aggregate compensation amounted to RMB87.0 million (equivalent to approximately HK$106.1 million), which shall be payable in cash by the relevant Offices pursuant to the following payment schedule:

(i) approximately RMB33.53 million (equivalent to approximately HK$40.91 million) will be payable 30 days after the Land Resumption Agreements becoming effective;

(ii) approximately RMB36.07 million (equivalent to approximately HK$44.01 million) will be payable 45 days after the vacate of the Zhonggu Factories; and

(iii) the remaining balance shall be payable upon 30 days after the completion of all deregistration procedures, including land use right, business registration, relevant utilities accounts.

A total compensation for the Land Resumption amounted to RMB87.0 million offered by the Offices which was determined, among other things, after arm's length negotiations lately between the Company and the Offices, by which the Company informed the Offices their views on the compensation arrangement for the Offices' consideration. The Offices with their own discretion came up with (i) a compensation amount for the land and/or building with reference to a value prepared by a PRC valuer appointed by the Offices; and (ii) compensation in respect of the relocation of the Zhonggu Factories.

The Directors after receiving the proposed agreements of compensation, took into consideration (i) the aggregate book value of the Zhonggu Factories as at 31 December 2020 amount to RMB24.3 million; (ii) the initial preliminary valuation of the Zhonggu Factories as at 31 May 2021 prepared by an independent valuer appointed by the Company indicating a market value of RMB28 million (the "**Indicative Valuation**"), based on market approach with regard to the existing physical conditions and permitted use of the Zhonggu Factories and without taken into consideration any effect on property value arising from the Land Resumption Agreements and any potential redevelopment (principle assumptions/input of the valuation are disclosed in appendix II to this circular); and (iii) the Zhonggu Factories have been left idle for years, consider that the terms of the Land Resumption Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Completion of the Land Resumption Agreements

The Land Resumption Agreements shall become effective upon the execution of the Land Resumption Agreements on or before 7 June 2021 and the passing of resolution by the Shareholders to approve the Land Resumption Agreements and the Land Resumption contemplated thereunder at the EGM.

REASONS FOR AND BENEFITS OF THE LAND RESUMPTION

The Zhonggu Factories were held by the Group upon establishment as the manufacturing plant of the Group. The Zhonggu Factories were used for production of fire-fighting equipment, small agricultural equipment and wooden products. Production of carbonate steel fire extinguisher cylinders also started in 1999. As a result of the restructuring of the Group's operations, the Group moved out of the Zhonggu Factories and rented the Zhonggu Factories out as investment properties in 2011. The Zhonggu Factories became idle after the suspension of utilities in 2017.

In 2016, 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 Land Zhonggu Redevelopment Proposal. Thereafter, two valuation reports were issued in respect of the value of the Zhonggu Factories (the "**2018–2019 Valuation Reports**"). The Company disagreed with certain points in the 2018–2019 Valuation Reports and there were a series of disputes during the valuation procedures, including improper land resumption procedures, incorrect areas of the Zhonggu Factories and improper rehousing arrangements.

In order to maximise the compensation for the Land Resumption, the Company had logged in legal objections (the "**Objections**") to the court against the value of the Zhonggu Factories in the 2018–2019 Valuation Reports. No significant development occurred in respect of the Objections between 2019 to 2020. After mid-May 2021, the Offices proposed the entering into the Land Resumption Agreements with the Company and as a pre-condition to proceed with the Land Resumption Agreements, on 27 May 2021, the Company agreed to withdraw the Objections. On 31 May 2021, Shanghai Number 2 Intermediate People's Court acknowledged and approved the withdrawal of the Objections.

After evaluating the Land Resumption Agreements, taking into consideration the Indicative Valuation of the Zhonggu Factories and other compensations as stipulated in the Land Resumption Agreements, the Directors (including the independent non-executive Directors) considered that the cash proceeds from the Land Resumption could provide additional cash flow and enhance the working capital situation of the Group. In addition, the

Directors believe the Land Resumption can redeploy idle resources of the Group for further development opportunities. Therefore, the Directors consider that the terms of the Land Resumption Agreements and the Land Resumption contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Land Resumption Agreements are conditional upon the passing of the relevant resolution at the Shareholders' general meeting, should the Shareholders vote against the relevant resolution to pass the Land Resumption Agreements, the Company will not proceed with the Land Resumption and the Company will not be entitled to the RMB87.0 million compensation stipulated under the Land Resumption Agreements. Given the fact that the Group's fire-fighting equipment production activities have been assumed by the Group's other production bases and taking into consideration the conditions of production facilities at the Zhonggu Factories, particularly utilities there had been suspended, the Zhonggu Factories will very likely continue to be idle. Should the Land Resumption Agreements not proceed to completion, the Company will continue to discuss with the Offices for other settlement alternatives, however, the discussion outcomes will remain uncertain and the Company and the Offices may or may not reach any other agreement in respect of the Land Resumption. In any event, the Company cannot foresee what further action(s) will be taken by the Offices and the Shanghai government if the Land Resumption Agreements do not proceed to completion.

FINANCIAL EFFECTS OF THE LAND RESUMPTION

Based on the latest audited consolidated financial statements as at 31 December 2020, the aggregate book value of the Zhonggu Factories was approximately RMB24.3 million (equivalent to approximately HK$29.6 million). On account of the compensation of approximately RMB87.0 million (equivalent to approximately HK$106.1 million), the amount payable to the ex-tenant of RMB4.0 million (equivalent to approximately HK$4.88 million), legal and professional fee of approximately RMB1.0 million (equivalent to approximately HK$1.2 million), the Company is expected to record an estimated net gain before tax from the Land Resumption of approximately RMB57.7 million (equivalent to approximately HK$70.4 million). Such estimated gain has not taken into account any PRC corporate income tax. The actual amount of the gain from the Land Resumption to be recorded by the Group is subject to audit and will take into account any other costs and expenses incurred relating to the Land Resumption, and accordingly, it may be different from the amount stated above.

Before completion of the Land Resumption, any cash compensation received will be recorded in the Group's consolidated statement of financial position as receipt in advance under other payables and accruals. Upon completion of the Land Resumption, the cash compensation will be recognised in the Group's other income and gains.

PROPOSED USE OF PROCEEDS

The net proceeds before deducting the PRC corporate income tax but after deducting relevant legal and professional fees arising from the Land Resumption will be of approximately RMB86.0 million (equivalent to approximately HK$104.9 million), which will be used in the following manner, if the net proceeds from the Land Resumption differs from RMB86.0 million, the Company will adjust the allocation of the net proceeds to the below purposes on a pro-rata basis:

(i) approximately RMB8.0 million (equivalent to approximately HK$9.76 million) will be used for the repayment of bank loans and other borrowings of the Group;

(ii) approximately RMB4.0 million (equivalent to approximately HK$4.88 million) will be used for the settlement of compensation of the Zhonggu Factories' ex-tenant;

(iii) approximately RMB10.0 million (equivalent to approximately HK$12.20 million) will be reserved for potential investment opportunities (including acquisition, formation of joint venture or by way of merger) in the aquarium related industry;

(iv) approximately RMB45.0 million (equivalent to approximately HK$54.90 million) will be reserved for potential investment opportunities (including acquisition, formation of joint venture or by way of merger) in the fire-fighting industry;

(v) approximately RMB10.0 million (equivalent to approximately HK$12.20 million) will be applied towards the development of the Group's online sales platform (including but not limited to the development of the Group's official sales website, which will form an additional sales channel for all of the Group's products.); and

(vi) the remaining balance will be utilised as general working capital of the Group.

In respect of point (iii) and (iv) above, as at the Latest Practicable Date, the Board has yet to identify any potential target for investment.

INFORMATION OF THE PARTIES TO THE LAND RESUMPTION AGREEMENTS

The Group is principally engaged in the manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products) in the PRC and overseas, provision of fire technology inspection services, sales of marine fire-fighting equipment and provision of related installation and inspection services, sales of aquarium products and trading of other products.

The Offices, which are Independent Third Parties, are the local governmental authorities responsible for the implementation of the Land Resumption.

IMPLICATIONS UNDER THE GEM LISTING RULES

As certain applicable percentage ratio under Rule 19.07 of the GEM Listing Rules in respect of the Land Resumption exceeds 75%, the Land Resumption constitutes a very substantial disposal transaction for the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under the GEM Listing Rules.

Pursuant to the GEM Listing Rules, any Shareholder who has a material interest in the Land Resumption and his/her/its close associates will abstain from voting on the relevant resolution at the general meeting. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Land Resumption as contemplated under the Land Resumption Agreements and therefore none of the Shareholders and their associates would be required to abstain from voting on the ordinary resolution to approve the Land Resumption Agreements and Land Resumption contemplated thereunder at the general meeting.

EGM

A notice convening the EGM is set out from pages EGM-1 to EGM-2 of this circular. The EGM will be convened at 2/F, Block 4, No. 4621, Jiao Tong Road, PuTuo District, Shanghai, the PRC on Friday, 20 August 2021 at 10:00 a.m. at which resolution will be proposed to the Shareholders to consider and, if thought fit, approve the resolution relating to the Land Resumption Agreements and the transactions contemplated thereunder.

A reply slip for the purpose of informing the Company whether you will be attending (in person or by proxy) the EGM is also enclosed. You are reminded to complete and sign the reply slip (if you are entitled to attend the EGM) and return the signed slip to the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 30 July 2021 in accordance with the instructions printed thereon.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the register of members on 20 July 2021 will be entitled to attend the EGM. The holders of H shares of the Company are reminded that the register of members of the Company's H Shares will be closed from 21 July 2021 to 20 August 2021, both days inclusive, during the period no transfer of H Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Shares registrar and transfer office, Computershare Hong Kong Investor

Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 20 July 2021. The holder of H Shares and whose name appears on the register of members of the Company's H Shares on 20 July 2021 or his/her proxy may attend the Meeting by bringing his/her own identity card or passport. The connected persons of the Acquisition shall abstain from voting in relation to the above resolution.

GENERAL

Completion of the Land Resumption is conditional upon the passing of resolution by the Shareholders to approve the Land Resumption Agreements and the Land Resumption contemplated thereunder at the EGM. Should the Shareholders vote against the resolution of the Land Resumption, the Land Resumption will not proceed. Accordingly, the Land Resumption may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Land Resumption Agreements and the Land Resumption contemplated thereunder are fair and reasonable, on normal commercial terms and in the best interests of the Company and its shareholders as a whole.

The Board would recommend the Shareholders to vote in favour of the ordinary resolution in relation to the of the Land Resumption Agreements and the Land Resumption contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Zhou Jin Hui
Chairman

THREE YEAR'S FINANCIAL INFORMATION

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the annual reports of the Group for the financial years ended 31 December 2018 (pages 35 to 125), 31 December 2019 (pages 35 to 125) and 31 December 2020 (pages 35 to 127), respectively, and are incorporated by reference into this circular.

Please refer the links below:

The audited consolidated financial statement for the year ended 31 December 2018, please refer to https://www1.hkexnews.hk/listedco/listconews/gem/2019/0327/gln20190327071.pdf.

The audited consolidated financial statement for the year ended 31 December 2019, please refer to https://www1.hkexnews.hk/listedco/listconews/gem/2020/0401/2020040102716.pdf.

The audited consolidated financial statement for the year ended 31 December 2020, please refer to https://www1.hkexnews.hk/listedco/listconews/gem/2021/0401/2021040102653.pdf.

The said annual reports of the Group are published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shanghaiqingpu.com).

STATEMENT OF INDEBTEDNESS

As at 31 May 2021

	Current	**Non-Current**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings, secured *(note 1(a))*	897	7,476	8,373
Due to immediate holding company *(note 1(b))*	906	—	906
Due to non-controlling interests *(note 1(b))*	41	—	41
Due to related companies *(note 1(b))*	2,575	—	2,575
Due to a director *(note 1(b))*	136	—	136
Lease liabilities *(note 2)*	288	643	931
	4,843	8,119	12,962

Notes:

1. **Borrowings**

(a) *Interest-bearing bank borrowings, secured*

The Group was granted six bank loans (the "**Bank Loans**") by a bank with an aggregate principal amount of approximately RMB8,971,700 for a term of 120 months from September 2020 for the settlement of part of the consideration for the acquisition of the properties (the "**Tian Yi Properties**") located at 天億健康產業園 in Ci Xi, Zhejiang Province of the PRC from the developer. The Bank Loans are secured by (i) corporate guarantees given by the developer, which will be released upon the completion and the transfer of the Tian Yi Properties to the Group; and (ii) a pledge of the Tian Yi Properties, for which deposits of approximately RMB12,817,000 have been paid by the Group as at 31 May 2021. The Bank Loans bear interest at prime rate of the National Interbank Funding Center plus 0.25% and are repayable by 120 monthly installments from September 2020.

(b) Due to immediate holding company, non-controlling interests, related companies and a director

As at 31 May 2021, the amounts due to immediate holding company, non-controlling interests, related companies and a director are unsecured, interest-free and have no fixed terms of repayment.

2. Lease liabilities

The Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates.

3. Mortgages, charges and pledges

The interest-bearing bank borrowings are pledged by the Tian Yian Properties, for which deposits of approximately RMB12,817,000 have been paid by the Group as at 31 May 2021.

Contingent liabilities

The Group had no significant contingent liabilities as at 31 May 2021.

Saved as disclosed and apart from intra-group liabilities and normal trade and other payables, as at 31 May 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages and charges, hire purchase commitments or guarantee outstanding.

WORKING CAPITAL

The Directors, after due and carefully enquiry, are of the opinion that, after taking into account the effect of the transactions contemplated under the Land Resumption, the Group's internal resources, cash flows from operations, facilities available to the Group, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Since the outbreak of the COVID-19, the prevention and control of the COVID-19 has been going on throughout China. Facing the epidemic situation, the Group, while cooperating with the government to fight the epidemic situation, actively took measures to avoid the economic loss of the Group. The recent launch of various COVID-19 vaccines have provided protection and have a positive effect to the economy. While the traditional business activities are getting back on track, sale of aquarium products to distributors of overseas market which is boosted because of lock down situation over the world in 2020, is still growing in 2021.

The launch of various COVID-19 vaccines may provide protection and should have a positive effect to the economy. Together with change in business strategies since 2019 and all the follow up work done in 2020 by the Company, the Company believe they can sharpen the competitive edge and further improve their result with a new production plant in the Properties expected to be completed in 2021, sale of aquarium product could be boosted further because of better production capacity and better corporate image to attract new customers. 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 firefighting service provider in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis of the Group for each of the years ended 31 December 2018, 2019 and 2020 is set out below.

(a) For the year ended 31 December 2020 ("FY2020")

REVIEW OF FINANCIAL RESULTS FOR FY2020 COMPARED TO THE YEAR ENDED 31 DECEMBER 2019 ("FY2019")

Revenue

The Group operates under six reportable operating segments, including (i) the fire-fighting equipment segment which manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products); (ii) the aquarium products segment which sale of aquarium products; (iii) the marine fire-fighting equipment segment which sales of marine fire-fighting equipment and provision of related installation services; (iv) the inspection services segment which provide of fire technology inspection services and marine fire-fighting equipment inspection services; (v) the property investment segment which engages in the investment in office building and industrial properties for its rental income potential; and (vi) the trading segment. During FY2020, the major revenue contributing segment was the aquarium products segment which accounted for 35.8% of the Group's total revenue in FY2020.

For FY2020, the Group recorded revenue of approximately RMB72.5 million (FY2019: approximately RMB78.0 million), representing a decrease of approximately 7%, which mainly because of (i) prevention and control of COVID-19 being taken place during which most of the business activities have been suspended; (ii) the termination of operation of two factories by end of FY2019 leading to the significant decrease in sales of pressure vessels; and (iii) the Company's subsidiary, 上海高壓特種氣瓶有限公司

(Shanghai Pressure Special Gas Cylinder Co., Limited), has leased a vacated factory for 15 years provides stable rental income for the Group which offset the negative results mentioned in (i) and (ii) above.

Gross Profit

For FY2020, the Group recorded overall gross profit of approximately RMB21.9 million (FY2019: approximately RMB15.7 million). The gross profit ratio was approximately 30% and 20% for FY2020 and FY2019, respectively. The increase in gross profit ratio was mainly due to rental income gained from a vacated factory leased out for rent during FY2020.

Other Income and Gains

For FY2020, the Group's other income and gains increased to approximately RMB2.9 million from approximately RMB2.4 million in FY2019, representing an increase of 20.8%. Such increase was mainly due to the fair value gain on investment properties.

Selling and Distribution Costs

For FY2020, the Group's selling and distribution costs decreased to approximately RMB1.8 million from approximately RMB3.1 million in FY2019, representing a decrease of 43%. Such decrease was mainly due to a decrease in sale of pressure vessels.

Administrative Expenses

For FY2020, the Group's administrative expenses decreased to approximately RMB15.0 million from approximately RMB21.5 million in FY2019, representing a decrease of 30%. Such decrease was mainly due to (i) the termination of operation of two factories by the end of FY2019 leading to non-recurrence of such expenses in FY2020; and (ii) operation suspended because of COVID-19 epidemic leading to less expenses in FY2020.

Finance Costs

For FY2020, the Group's finance cost increased to approximately RMB160,000 from approximately RMB80,000 in FY2019, which included (i) interest on bank borrowings, secured of approximately RMB99,000 (FY2019: RMB Nil); and (ii) interest on lease liabilities of approximately RMB61,000 (FY2019: approximately RMB80,000).

Income Tax Expenses

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profit arising in Hong Kong during FY2020.

Under the Corporate Income Tax Law, the corporate income tax ("**CIT**") rate applicable to small-scale enterprises with low profitability that meet certain conditions, pursuant to which, (i) the first RMB1,000,000 of assessable profits (the "**1st Assessable Profits**") of these subsidiaries is effective taxable at 5% (i.e. 20% on 25% of the 1st

Assessable Profits); and (ii) the remaining assessable profits not over RMB3,000,000 (the "**Remaining Assessable Profits**") is 10% (i.e. 20% on the 50% of the Remaining Assessable Profits). Certain of the Company's subsidiaries have been designated as a small-scale enterprise. Under the Corporate Income Tax Law, the CIT for other companies in the Group is calculated at a rate of 25% on their estimated assessable profits for FY2020. The effective tax rate of the Group was 27% in FY2020. It is due to the loss in certain subsidiaries, which are not allowed to offset assessable profits arising from other subsidiaries of the Group. The increase in income tax expenses in FY2020 was mainly attributable to six subsidiaries which were generated assessable profit in FY2020.

Non-controlling Interests

For FY2020, profit for the year attributable to non-controlling interests is approximately RMB4.1 million (FY 2019: a loss of approximately RMB1.3 million).

Loss attributable to the owners of the Company

For FY2020, the Group recorded loss for the year attributable to the owners of the Company of approximately RMB1.4 million as compared to a loss of approximately RMB10.5 million in FY2019 . The decrease in loss was primarily attributable to profit from sale of aquarium products and the decrease in administrative expenses.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net assets of approximately RMB73.4 million (31 December 2019: approximately RMB71.1 million). The Group's operations are financed principally by internal sources, shareholders' borrowings, interest-bearing bank borrowings, secured and shareholders' equity.

Cash and Bank Balances

The cash and bank balances were denominated in RMB, that are not freely convertible into other currencies and were subject to exchange controls in the PRC. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations (the "**Foreign Exchange Regulations**"), the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. As at 31 December 2020, the cash and cash equivalent balances denominated in RMB amounted to approximately RMB30.6 million.

Bank and Other Borrowings

The outstanding bank borrowings of the Group were approximately RMB8.8 million as at 31 December 2020. On 25 September 2020, the Group entered into certain loan agreements (the "**Loan Agreements**") with a state-owned bank (the "**Bank**") in the PRC, pursuant to which, the Group was granted six loans (the "**Loans**") by the Bank with an aggregate principal amount of RMB8,971,700 for a term of 10 years for the settlement of part of the consideration for the acquisition of the Tian Yi Properties. The Loans are secured by (i) corporate guarantees given by the developer, which will be released upon the completion and the transfer of the Tian Yi Properties to the Group; and (ii) pledge of the Tian Yi Properties. The Loans bear interest rate at prime rate of the National Interbank Funding Center (全國銀行間同業拆借中心) plus 0.25% and are repayable by 120 monthly installments since September 2020.

As at 31 December 2020, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "**FY2020 Facility**") for the period expiring on 30 May 2022. As at 31 December 2020, the FY2020 Facility had not been drawn down.

Gearing Ratio

The Group's gearing ratio as at 31 December 2020 was 49% (31 December 2019: 35%), which was expressed as a percentage of the total liabilities divided by the total equity. The increase was mainly attributable to an increase in interest-bearing bank borrowings, other payables and accruals.

CAPITAL COMMITMENT

The Group entered into certain agreements to acquire the Tian Yi Properties, the consideration of which had been fully paid as at 31 December 2020. Saved as disclose herein, there was no significant capital commitment of the Group as at 31 December 2020.

FINANCIAL GUARANTEE

The Group did not have any significant financial guarantee as at 31 December 2020.

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.

CHARGE ON ASSETS OF THE GROUP

The interest-bearing bank borrowings are pledged by the Tian Yi Properties, whereby deposits of approximately RMB12.8 million had been paid by the Group as at 31 December 2020. Saved as disclose herein, there were no other charge on assets of the Group as at 31 December 2020.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL

In July 2020, the Group entered into certain sale and purchase agreements with an independent third party, pursuant to which, the Group acquired the Tian Yi Properties at an aggregate consideration of approximately RMB12.8 million. Except for this acquisition, there was no significant investment and material acquisition and disposal during FY2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities.

EVENT AFTER THE END OF FY2020

Save for the entering into of the Land Resumption Agreements with the Offices in respect of the Land Resumption, the Group did not have any material events after FY2020.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had 133 employees (2019: 125 employees). The increase is mainly due to new employed staff to fill the casual vacancy. 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.

FUTURE OUTLOOK

The recent launch of various COVID-19 vaccines may provide protection and should have a positive effect to the economy. Together with change in business strategies since FY2019 and all the follow up work done in FY2020 by the Company, the Directors believe the Company can sharpen its competitive edge and further improve the financial results. With a new production plant in the properties expected to be completed in 2021, sale of aquarium product could be boosted further because of better production capacity and better corporate image to attract new customers. The Company will also prudently consider acquiring relevant enterprises, including aquarium related industry and fire-fighting industry, which possess sound profitability in accordance with the relevant laws and regulations in order to accelerate the growth of its profitability so that the Company will become a major enterprise in the manufacturing and sale of aquarium products and fire-fighting equipment and fire fighting service provider in the PRC.

(b) For FY2019

REVIEW OF FINANCIAL RESULTS FOR FY2019 COMPARED TO THE YEAR ENDED 31 DECEMBER 2018 ("FY2018")

Revenue

The Group operates under six reportable operating segments, including (i) the fire-fighting equipment segment which manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products); (ii) the aquarium products segment which sale of aquarium products; (iii) the marine fire-fighting equipment segment which sales of marine fire-fighting equipment and provision of related installation services; (iv) the inspection services segment which provide fire technology inspection services and marine fire-fighting equipment inspection services; (v) the property investment segment which engages in the investment in office building and industrial properties for its rental income potential; and (vi) the trading segment. During FY2019, the major revenue contributing segment was the fire-fighting equipment segment which accounted for 52.7% of the Group's total revenue in FY2019.

For FY2019, the Group recorded revenue of approximately RMB78.0 million (FY2018: approximately RMB69.7 million), representing an increase of approximately 12%, which mainly because of online sales channels promotions which increase sales in aquarium products segment during FY2019. Sales of marine fire-fighting equipment was also increased during the year because of better sales strategies were imposed.

Gross Profit

For FY2019, the Group recorded overall gross profit of approximately RMB15.7 million (FY2018: approximately RMB16.7 million). The gross profit ratio was approximately 20% and 24% for FY2019 and FY2018, respectively. The decrease in gross profit ratio was mainly due to (i) stock clearance sale before vacating a factory for converting its use from production to lease out for rental; (ii) market subcontracting rate increased for inspection services; and (iii) increased cost of aquarium tools with the same level of selling price.

Other Income and Gains

For FY2019, the Group's other income and gains increased to approximately RMB2.4 million from approximately RMB1.2 million in FY2018, representing an increase of 100%. Such increase was mainly due to (i) an increase in income from investment products; and (ii) write-back of other payables and amount due to a related company.

Selling and Distribution Costs

For FY2019, the Group's selling and distribution costs increased to approximately RMB3.1 million from approximately RMB2.9 million in FY2018, representing an increase of 6.9%. Such increase was mainly due to increase in transportation costs and salaries of aquarium products segment during FY2019.

Administrative Expenses

For FY2019, the Group's administrative expenses increased to approximately RMB21.5 million from approximately RMB16.2 million in FY2018, representing an increase of 33%. Such increase was mainly due to redundancy payment for terminated operation because of land resumption and vacating a factory to lease out for rent during FY2019.

Finance Costs

For FY2019, the Group's finance cost increased to approximately RMB80,000 from RMBNil in FY2018, which included an interest on lease liabilities.

Income Tax Expenses

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profit arising in Hong Kong during FY2019.

Under the Corporate Income Tax Law, the CIT rate applicable to small-scale enterprises with low profitability that meet certain conditions, pursuant to which, (i) the 1st Assessable Profits of these subsidiaries is effective taxable at 5% (i.e. 20% on 25% of the 1st Assessable Profits); and (ii) the Remaining Assessable Profits is 10% (i.e. 20% on the 50% of the Remaining Assessable Profits). Certain of the Company's subsidiaries have been designated as a small-scale enterprise. Under the Corporate Income Tax Law, the CIT for other companies in the Group is calculated at a rate of 25% on their estimated assessable profits for FY2019. The effective tax rate of the Group was negative 4% in FY2019. It is due to the loss in certain subsidiaries, which are not allowed to offset assessable profits arising from other subsidiaries of the Group. The decrease in income tax expenses in FY2019 was mainly attributable to two profitable subsidiaries were designated as a small-scale enterprise in FY2019 and enjoy a concessionary CIT rate.

Non-controlling Interests

For FY2019, loss for the year attributable to non-controlling interests is approximately RMB1.3 million (FY2018: a profit of approximately RMB1 million).

Loss Attributable to the owners of the Company

For FY2019, the Group recorded loss for the year attributable to the owners of the Company of approximately RMB10.5 million as compared to a loss of approximately RMB3.4 million in FY2018. The increase in loss was primarily attributable to (i) redundancy payment for termination of operation because of land resumption and vacating a factory to lease out for rent; (ii) a decrease in gross profit margin; and (iii) impairment of trade and bills receivables during FY2019.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had net assets of approximately RMB71.1 million (31 December 2018: approximately RMB82.9 million). The Group's operations are financed principally by internal sources, shareholders' borrowings and shareholders' equity.

Cash and Bank Balances

The cash and bank balances were denominated in RMB. RMB is not freely convertible into other currencies and were subject to exchange controls in the PRC. However, under the Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. As at 31 December 2019, the cash and cash equivalent balances denominated in RMB amounted to approximately RMB26.5 million.

Bank and Other Borrowings

As at 31 December 2019, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "**FY2019 Facility**") for the period expiring on 30 May 2021. As at 31 December 2019, the FY2019 Facility had not been drawn down.

Apart from the FY2019 Facility, the Group had no outstanding bank or other interest-bearing borrowings as at 31 December 2019.

Gearing Ratio

The Group's gearing ratio as at 31 December 2019 was 35% (31 December 2018: 30%), which was expressed as a percentage of the total liabilities divided by the total equity. The increase was mainly attributable to an increase in lease liabilities and bigger loss for FY2019.

CAPITAL COMMITMENT

The Group did not have any significant capital commitment as at 31 December 2019.

FINANCIAL GUARANTEE

The Group did not have any significant financial guarantee as at 31 December 2019.

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.

CHARGE ON ASSETS OF THE GROUP

As at 31 December 2019, there were no charge on assets of the Group.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investment, material acquisition or disposal during FY2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities.

EVENT AFTER THE END OF FY2019

Since the outbreak of Coronavirus Disease 2019 ("**COVID-19**") in January 2020, the prevention and control of the COVID-19 has been implemented across the PRC. The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries. Up to the date of annual report for FY2019, the financial effect cannot be estimated. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had 125 employees (31 December 2018: 233 employees). The decrease is mainly due to the redundancy of certain staff in the terminated operation. 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.

(c) For FY2018

REVIEW OF FINANCIAL RESULTS FOR FY2018 COMPARED TO THE YEAR ENDED 31 DECEMBER 2017 ("FY2017")

Revenue

The Group operates under six reportable operating segments, including (i) the fire-fighting equipment segment which manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products); (ii) the aquarium products segment which sale of aquarium products; (iii) the marine fire-fighting equipment segment which sales of marine fire-fighting equipment and provision of related installation services; (iv) the inspection services segment which provide of fire technology inspection services and marine fire-fighting equipment inspection services; (v) the property investment segment which engages in the investment in office building and industrial properties for its rental income potential; and (vi) the trading segment. During FY2018, the major revenue contributing segment was the fire-fighting equipment segment which accounted for 61.1% of the Group's total revenue in FY2018.

For FY2018, the Group recorded a revenue of approximately RMB69.7 million (FY2017: approximately RMB72.7 million) representing a decrease of approximately 4%, which mainly due to a decrease in revenue contribution from inspection services segment and marine fire-fighting segment which was partially offset by a increase in revenue contribution from aquarium products segment during FY2018.

Gross Profit

For FY2018, the Group recorded overall gross profit of approximately RMB16.7 million (FY2017: approximately RMB17.6 million). The gross profit ratio was approximately 24% for FY2018 and FY2017.

Other Income and Gains

For FY2018, the Group's other income and gains decreased to approximately RMB1.2 million from approximately RMB4.6 million in FY2017, representing a decrease of 74%. Such decrease was mainly due to (i) the one off incentive received for demolition of leased assets in FY2017; (ii) no rental income in FY2018 as lease agreement for investment properties expired in FY2017; and (iii) the recording of reversal of write down of inventories to net realisable value for FY2017.

Selling and Distribution Costs

For FY2018, the Group's selling and distribution costs decreased to approximately RMB2.9 million from approximately RMB3.0 million in FY2017, representing a decrease of 3.3%. Such decrease was mainly due to the decrease in transportation cost on sale of pressure cylinders to customers located in other provinces.

Administrative Expenses

For FY2018, the Group's administrative expenses decreased to approximately RMB16.2 million from approximately RMB17.1 million in FY2017, representing a decrease of 6%. Such decrease was mainly due to the write off of items of property, plant and equipment in 2017 and the tight control on administrative expenses during FY2018.

Finance Costs

No finance cost was recorded for FY2018 (FY2017: Nil).

Income Tax Expense

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profit arising in Hong Kong during FY2018.

Under the Corporate Income Tax Law, the CIT rate applicable to small-scale enterprises with low profitability that meet certain conditions, pursuant to which, (i) the 1st Assessable Profits of these subsidiaries is effective taxable at 5% (i.e. 20% on 25% of the 1st Assessable Profits); and (ii) the Remaining Assessable Profits is 10% (i.e. 20% on the 50% of the Remaining Assessable Profits). Certain of the Company's subsidiaries have been designated as a small-scale enterprise. Under the Corporate Income Tax Law, the CIT for other companies in the Group is calculated at a rate of 25% on their estimated assessable profits for FY2018. The effective tax rate of the Group was negative 108% for FY2018. 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 FY2018, profit for the year attributable to non-controlling interests is approximately RMB1 million (FY2017: approximately RMB1.3 million).

Loss Attributable to the owners of the Company

For FY2018, the Group recorded loss for the year attributable to the owners of the Company of approximately RMB3.4 million as compared to a loss of approximately RMB0.2 million in FY2017. The decrease in loss was primarily attributable to the loss of the fire-fighting equipment segment during FY2018.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had net assets of approximately RMB82.9 million (31 December 2017: approximately RMB85.2 million). The Group's operations are financed principally by internal sources, shareholders' borrowings and shareholders' equity.

Cash and Bank Balances

The cash and bank balances were denominated in RMB. RMB is not freely convertible into other currencies. However, under the Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. As at 31 December 2018, the cash and cash equivalents balances amounted to approximately RMB29.7 million.

Bank and Other Borrowings

As at 31 December 2018, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "**FY2018 Facility**") for the period expiring on 30 May 2020. As at 31 December 2018, the FY2018 Facility had not been drawn down.

Apart from the FY2018 Facility, the Group had no outstanding bank or other interest-bearing borrowings as at 31 December 2018.

Gearing Ratio

The Group's gearing ratio as at 31 December 2018 was 30% (31 December 2017: 33.0%), which was expressed as a percentage of the total liabilities divided by the total equity. The decrease was mainly attributable to decrease in trade payables and other payables and accruals.

CAPITAL COMMITMENTS

Except for the operating lease arrangements, the Group did not have any significant capital commitments as at 31 December 2018.

FINANCIAL GUARANTEE

The Group did not have any significant financial guarantee as at 31 December 2018.

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.

CHARGE ON ASSETS OF THE GROUP

As at 31 December 2018, there were no charge on assets of the Group.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investment, material acquisition or disposal during FY2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had 233 employees (31 December 2017: 232 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 following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of Zhonggu Factories as at 31 May 2021.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

5 July 2021

The Board of Directors
Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.
No. 1988 Jihe Road
Hua Xin Town
Qingpu District
Shanghai City
the PRC

Dear Sirs,

Re: Valuation of Zhonggu Factories located at Nos. 740, 777 and 777-1 Zhonggu Street, Zhonggu Town, Qingpu District, Shanghai City, the People's Republic of China (the "PRC")

In accordance with the instructions from **Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.** (the "**Company**") to value the property interests of the captioned property ("**Zhonggu Factories**") held by the Company, we confirm that we have carried out inspection of **Zhonggu Factories**, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of **Zhonggu Factories** as at **31 May 2021** (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of Zhonggu Factories represents the market value of its land use rights of the land parcels of Zhonggu Factories and building ownership rights of the buildings and structures erected on the land parcels of Zhonggu Factories. Market value is intended to mean "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion". All tangible and intangible assets or rights other than land use rights and building ownership rights that may be found or existed within Zhonggu Factories are excluded from this valuation.

TITLESHIP

We have been provided with copies of legal documents regarding title to Zhonggu Factories. However, we are unable to ascertain any amendment which may not appear on the copies handed to us.

For title verification, we have relied upon the legal opinion provided by the PRC legal advisers, namely 上海鎮平律師事務所 (transliterated as Shanghai Zhen Ping Law Office, the "**PRC Legal Opinion**"), to the Company on property title, encumbrances, the relevant laws and regulations in the PRC.

VALUATION METHODOLOGY

Zhonggu Factories have been valued by market approach assuming sale in their existing states with the benefit of vacant possession by making reference to market price information of comparable properties as available on the market.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells Zhonggu Factories on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements, resumption agreement or any similar arrangement which would serve to affect the value of Zhonggu Factories.

As Zhonggu Factories are held by the Company by means of long term Land Use Rights granted by the PRC Government, we have assumed that the Company has free and uninterrupted rights to use Zhonggu Factories for the whole of the unexpired term of land use rights disregarding the Land Resumption by virtue of which the land use right term of Zhonggu Factories may be terminated prematurely.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on Zhonggu Factories nor for any expenses or taxation which may be incurred in holding them. It is assumed that Zhonggu Factories are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of Zhonggu Factories but have assumed that the site areas and the floor areas shown on the documents and official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Zhonggu Factories were last inspected on 15 June 2021 by Zhou Tong, who is a registered PRC Real Estate Appraiser. We have inspected the exterior and, where possible, the interior of the buildings and structures of Zhonggu Factories. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment. During the site inspection, we have ascertained the following matters of Zhonggu Factories:

- The general environment and development conditions of the area in which Zhonggu Factories are situated;
- the existing use(s) of Zhonggu Factories;
- the occupancy of Zhonggu Factories;
- the facilities provided by Zhonggu Factories;
- the existence of any non-conformity use within Zhonggu Factories;
- the repair and maintenance conditions of Zhonggu Factories; and
- the existing of any closure order and resumption order affixed to Zhonggu Factories.

As confirmed by the Company, Zhonggu Factories have not been issued with any administrative order or notice or charged with any penalty for breaching of environmental laws and regulations as at the Valuation Date. The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from abnormal earth movement or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing Zhonggu Factories, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

All monetary amounts contained herein are denominated in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties, ports and logistics facilities in the PRC.

VALUATION CERTIFICATE

Property interests held by the Company for investment

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2021 *RMB*
Land and Buildings at Nos. 740, 777 and 777-1 Zhonggu Street Zhonggu Town Qingpu District Shanghai City the PRC (中國上海市青浦區重固鎮重固大街774, 777及777-1號)	Zhonggu Factories are standing on 3 discrete parcels of industrial land with a total area of 18,555 square metres. The land parcel at No. 740 Zhonggu Street, which is lying at the east of Zhonggu Street, has an area of 4,815 square metres on which 3 blocks of single-storey industrial building with a total gross floor area of 794.73 square metres are erected. A Buildings and Land Ownership Certificate has been issued to the land parcel and the 3 subject buildings (as mentioned in note 1 below). In addition, extension of existing buildings and a single-storey industrial building with a total additional gross floor area of 1,582.31 square metres are erected within the same land parcel. Buildings and Land Ownership Certificate has not yet been issued to this additional floor area. The land parcel at No. 777-1 Zhonggu Street, which is lying at the Lao Tong Bo Tang Waterway, has an area of 3,026.00 square metres on which 5 blocks of single to 2-storey industrial building with a total gross floor area of 1,445.00 square metres are erected. A Buildings and Land Ownership Certificate has been issued to the land parcel and the 5 subject buildings (as mentioned in note 2 below). In addition, extension of existing buildings with a total additional gross floor area of 147.33 square metres are erected within the same land parcel. Buildings and Land Ownership Certificate has not yet been issued to this additional floor area. The land parcel at No. 777 Zhonggu Street, which is bounded by Zhonggu Street at the east and the Lao Tong Bo Tang (老通波塘) Waterway at the west, has an area of 10,714.00 square metres on which 10 blocks of single to 3-storey industrial building with a total gross floor area of 5,607.00 square metres are erected. A Buildings and Land Ownership Certificate has been issued to the land parcel and the 10 subject buildings (as mentioned in note 3 below). In addition, extension of existing buildings and 2 blocks of single-storey industrial building with a total additional gross floor area of 1,057.95 square metres are erected within the same land parcel. Buildings and Land Ownership Certificate has not yet been issued to this additional floor area.	Zhonggu Factories are currently vacant.	28,000,000

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 May 2021 *RMB*
	The buildings of Zhonggu Factories were completed in between 1975 and 2000. Zhonggu Factories are located approximately 10 kilometres at the north-east of the downtown of Qingpu District. Immediate locality of the Property is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a residential area. The land use rights of Zhonggu Factories have been granted for a term of 50 years expiring on 15 October 2050 for industrial use.		

Notes:

1. As revealed from the Building and Land Use Rights Certificate (Ref: Hu Fang Di Qing Zhi (2000) No. 006606) issued by the Shanghai City Building and Land Resource Administrative Bureau on 2 December 2000, the land use rights of the land parcel at No. 740 Zhonggu Road with an area of 4,815.00 square metres and 3 industrial buildings erected thereon with a total gross floor area of 794.73 square metres are held by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. for a land use right term of 50 years expiring on 15 October 2050 for industrial use.

2. As revealed from the Building and Land Use Rights Certificate (Ref: Hu Fang Di Qing Zhi (2000) No. 006607) issued by the Shanghai City Building and Land Resource Administrative Bureau on 2 December 2000, the land use rights of the land parcel at No. 777-1 Zhonggu Road with an area of 3,026.00 square metres and 7 industrial buildings erected thereon with a total gross floor area of 1,556.00 square metres are held by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. for a land use right term of 50 years expiring on 15 October 2050 for industrial use. As at the valuation date, out of the 7 industrial buildings mentioned in the Building and Land Use Rights Certificate, 2 of them with a total gross floor area of 111.00 have been demolished. Therefore, the total gross floor area of the remaining subject buildings mentioned in the Buildings and Land Ownership Certificate is 1,445.00 square metres.

3. As revealed from the Building and Land Use Rights Certificate (Ref: Hu Fang Di Qing Zhi (2000) No. 006608) issued by the Shanghai City Building and Land Resource Administrative Bureau on 2 December 2000, the land use rights of the land parcel at No. 777 Zhonggu Road with an area of 10,714.00 square metres and 13 industrial buildings erected thereon with a total gross floor area of 6,392.00 square metres are held by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. for a land use right term of 50 years expiring on 15 October 2050 for industrial use. As at the valuation date, out of the 13 industrial buildings mentioned in the Building and Land Use Rights Certificate, 3 of them with a total gross floor area of 785.00 have been demolished. Therefore, the total gross floor area of the remaining subject buildings mentioned in the Buildings and Land Ownership Certificate is 5,607.00 square metres.

4. For those existing buildings without obtaining Building and Land Use Right Certificate and with a total gross floor area of 2,787.59 square metres erected within Zhonggu Factories, we have ascribed no commercial value to them on the ground that they have been built without gaining relevant planning and construction approval nor going through work completion inspection and acceptance test.

5. As confirmed by the Company, it did not have any plans for carrying out redevelopment, renovation, modification, improvement and alteration work for Zhonggu Factories as at the Valuation Date.

6. In our valuation, we have compared Zhonggu Factories with comparable and similar properties (embedded with both land use rights and building ownership rights) of which price information is available. Comparable workshop properties with similar physical characteristics, location, size, facilities and so on are analyzed and carefully weighed against all the respective advantages and disadvantages of the properties in order to arrive at a fair comparison of capital value. The unit rates of comparable properties in are in the range of RMB3,500 to RMB4,800 per square metre in term of gross floor area (inclusive of both land use rights and building ownership rights). Given a total gross floor area of 7,846.73 square metres of Zhonggu Factories (disregarding the additional gross floor area not issued with Buildings and Land Ownership Certificate), our valuation with an unit rate of RMB3,600 per square metre in term of gross floor area (being the price for both land use rights and building ownership rights) falls within this range.

7. Opinion of the PRC Legal Adviser on Zhonggu Factories is summarized as follows:

7.1 According to the Buildings and Land Ownership Certificate (Ref Hu Fang Di Qing Zhi (2000) Nos. 006606, 006607 and 006608), Zhonggu Factories with a total land area of 18,555 square metres and a total gross floor area of 8,742.73 square metres are held by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") for a land use right term expiring on 15 October 2050 for industrial use.

7.2 As revealed from the Public Notice on Resumption Compensation Negotiation for "Village in the City" Land Parcel Nos. 5 and 6 ("城中村"5、6號地塊協定徵收補償公告) issued by the Qingpu District Zhong Gu Town Buildings and Land Resumption Office (青浦區重固鎮房屋土地徵收補償辦公室) on 26 May 2016, Zhonggu Factories is within the area subject to resumption arrangements with compensation negotiation.

7.3 By virtue of the Decision on Property Resumption by the Shanghai City Qingpu Municipal Government Hu Qing Fu Fang Zheng (2019) No. 1 (上海市青浦區人民政府房屋徵收決定》 — 滬青府房征[2019]1號) issued by the Shanghai City Qingpu District Municipal Government on 28 January 2019, the resumption process for Zhonggu Factories was started.

7.4 The Company lodged objection to the resumption to the Shanghai Municipal Government on 27 March 2019. The Shanghai Municipal Government laid down its administrative review decision to uphold the resumption order made by the Shanghai City Qingpu Municipal Government.

7.5 On 5 July 2019, the Company filed its petition to the Shanghai Second Immediate People's Court (上海市第二中級人民法院) to revoke the resumption order made by the Shanghai City Qingpu Municipal Government and the administrative review decision made by the Shanghai City Municipal Government. The lawsuit was subsequent withdrew after both parties' negotiations organized by the judge.

7.6 The real estate property specified in the Buildings and Land Ownership Certificate (Ref Hu Fang Di Qing Zhi (2000) Nos. 006606) includes building area of 794.73 square metres and land area of 4,815 square metres together with the off title certificate building area of 1,582.31 square metres have their compensation amounts measured by an independent valuer appointed by the Offices (the "PRC Valuer") at a total sum of RMB20,304,197.

7.7 The real estate property specified in the Buildings and Land Ownership Certificate (Ref Hu Fang Di Qing Zhi (2000) Nos. 006607) includes building area of 1,556 square metres (of which 111 square metres has been demolished) and land area of 3,026 square metres together with the off title certificate building area of 147.33 square metres have their compensation amounts measured by the PRC Valuer at a total sum of RMB12,678,098.

7.8 The real estate property specified in the Buildings and Land Ownership Certificate (Ref Hu Fang Di Qing Zhi (2000) Nos. 006608) includes building area of 6,392 square metres (of which 785 square metres has been demolished) and land area of 10,714 square metres together with the off title certificate building area of 1,057.95 square metres have their compensation amounts measured by the PRC Valuer at a total sum of RMB54,021,143.

7.9 Save for the aforesaid resumption order, Zhonggu Factories is not subject to any closure order, seizure order and mortgage.

7.10 The Company has lawfully secured the buildings and land ownership rights of Zhonggu Factories and has the rights to possess, to use, to transfer, to lease out, to mortgage or to dispose of them by legal means before their handover to the Government under the aforesaid resumption order.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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: (i) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, supervisors and chief executives of the Company to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name	Type of interest	Number of Shares held	Approximate % of the issued Share capital of the Company
Mr. Zhou Jin Hui *(Note 1)*	Held by controlled corporation	133,170,000	71.05%

Note 1:

Liancheng held 131,870,000 Domestic Shares. Liancheng HK, a 100% subsidiary of Liancheng, held 1,300,000 H Shares. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("**Hengtai**") held 80% of the equity interest in Liancheng and Mr. Zhou Jin Hui held 58% and 20% of the equity interest in Hengtai and Liancheng respectively. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 Domestic Shares and 1,300,000 H Shares. 131,870,000 Domestic Shares represented 100% of the total issued Domestic Shares; 1,300,000 H Shares represented approximately 2.34% of the total issued H Shares.

Save as disclosed above, none of the Directors, supervisors, chief executives nor their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at the Latest Practicable Date.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

(a) Substantial shareholders of the Company

As at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executives of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had or were deemed to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Long Position in the Shares — Substantial shareholders

Name	Capacity	Number of shares	Approximate percentage of Share capital total registered
Liancheng *(Note 3)*	Beneficial owner	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Hengtai	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 hold 131,870,000 domestic shares of the Company. Liancheng HK, a 100% subsidiary of Liancheng, holds 1,300,000 H shares of the Company. Hengtai owns 80% of Liancheng and Mr. Zhou Jin Hui owns 58% of Hengtai. Accordingly, Hengtai and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

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

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.

4. Mr. Zhou Jin Hui, an executive Director, is a director of Hengtai.

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors, was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESSES

None of the Directors, Liancheng or their respective closes associates (as defined in the GEM Listing Rules) were interested in any business apart from the Group's businesses, which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

6. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice for incorporation in this circular and is contained in this circular:

Name	Qualification
Asset Appraisal Limited	Independent professional valuer

Asset Appraisal Limited has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; nor did it have any direct or indirect interests in any assets which have since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been or proposed to be acquired or disposed of by or leased to any member of the Group.

Asset Appraisal Limited has given and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its opinion prepared for the purpose of incorporation in this circular, and the references to its name and opinion in the form and context in which they respectively appear.

7. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) after the date two years immediately preceding the issue of the announcement dated 7 June 2021 of the Company in relation to the Land Resumption and up to the Latest Practicable Date and are or may be material:

(i) the Land Resumption Agreements; and

(ii) the agreement entered into with the ex-tenant on 27 May 2021, pursuant to which, the Company agreed to pay a compensation of RMB4.0 million (equivalent to approximately HK$4.88 million) to the ex-tenant in respect of the Land Resumption; and

(iii) the agreement entered into on 14 July 2020 to purchase 6 properties with a total building area of 3,233.22 sq. m., located at 天億健康產業園 (Tian Yi Health Industrial Park*), in Ci Xi, Zhejiang Province of the PRC, for an aggregate consideration of RMB13,000,000.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company, any other members of the Group or associated companies of the Company which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

9. LITIGATION

As at the Latest Practicable Date, the Group involved in the following litigation:

Certain of the Group's machinery and buildings were situated on land, part of which are with land use rights certificate (the "**Leased Property With Certificate**") and part of which are without land use rights certificate (the "**Leased Property Without Certificate**") (Collectively, the "**Leased Properties**"). The Leased Properties were 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**")). While the Leased Properties had been pledged to secure bank loans granted by a bank (the "**Bank**") to Huasheng in 2005, Huasheng had granted a lease (the "**Original Tenancy**") to use of the Leased Properties to the Company at annual rental of approximately RMB246,000 in 2008. In 2012, the Bank put the Leased Properties into auction (the "**Auction**"). The Leased Properties were acquired by the current landlord (the "**Current Landlord**", an independent third party) in 2013.

The Current Landlord was of the view that the Original Tenancy was not legally valid because the Original Tenancy was entered into between Huasheng and the Company without consent of the Bank at the time or subsequently rectified by the Current Landlord.

Although the Company had already moved out from the Leased Property With Certificate and the related rental expenses were settled, the Current Landlord filed a suit with a court against the Company in 2020 in respect of (i) requesting the Company to move out from the Leased Property Without Certificate; and (ii) paying land use fees for the period from 2015 up to the date the Company moves out from the Leased Property Without Certificate. As at the Latest Practicable Date, the Company had moved out from the Leased Property Without Certificate.

As at the Latest Practicable Date, the legal case was still in progress. The Company has engaged a lawyer to prepare the relevant evidence to respond and defend the legal case vigorously. The Company made a provision of approximately RMB2,000,000 for the legal case and the relevant professional fee.

10. CORPORATE INFORMATION OF THE COMPANY

Registered Office	1988 Jihe Road Hua Xin Town Qingpu District, Shanghai PRC
Principal place of business	Unit 2605 Island Place Tower 510 King's Road North Point Hong Kong

Stock Code	8115
H Share register and transfer office	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 2605, Island Place Tower, 510 King's Road, North Point, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular:

(i) the articles of association of the Company;

(ii) the Company's annual reports for the three years ended 31 December 2018, 2019 and 2020;

(iii) the valuation report on the Zhonggu Factories issued by Asset Appraisal Limited, the text of which are set out in Appendix II to this circular;

(iv) the written consents as referred to in the paragraph headed "Experts and consents" in this appendix;

(v) the material contracts as set out in this appendix; and

(vi) this Circular

12. GENERAL

1. The English text of this circular shall prevail over the Chinese text.

2. The secretary of the Company is Mr. Chan Chi Wai Benny who 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.

3. The compliance officer of the Company is Mr. Shi Hui Xing, an executive Director.

4. The audit committee of the Company comprises Yang Chun Bao, Wang Guo Zhong and Song Zi Zhang, who are independent non-executive Directors. The primary duties of the audit committee are to review and monitor the Company's financial reporting process and internal control system.

Mr. Yang Chun Bao is a certified public accountant registered with the Chinese Institute of Certified Public Accountants. He has more than 31 years of experience in finance and accounting. Mr. Yang 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) of the accounting firm 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. Wang Guo Zhong has over 20 years of experience in legal practice. He had 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. Song Zi Zhang 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.

* *For identification purposes only*

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "**Company**") will be held at 2/F, Block 4, No. 4621, Jiao Tong Road, PuTuo District, Shanghai, the PRC on Friday, 20 August 2021 at 10:00 a.m. for the purposes of considering and, if thought fit, passing (with or without modifications) the resolution (the "**Resolution**") as ordinary resolution of the Company. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 5 July 2021.

1. "**THAT**:

(a) the Land Resumption Agreements and the transactions contemplated thereunder are hereby approved, confirmed and ratified;

(b) the execution, delivery and performance of the Land Resumption Agreements and all documents (including any compensation arrangements), deeds and agreements contemplated thereunder or incidental thereto by the Company and/or its subsidiary be and are hereby approved, confirmed and ratified;

(c) the transactions contemplated under each of the Land Resumption Agreements and all actions taken or to be taken by the Company and/or its subsidiaries pursuant thereto be and are hereby approved, confirmed and ratified;

(d) any Director be and is hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as he may in his discretion consider necessary or expedient to carry out and implement the Land Resumption Agreements and the transactions contemplated thereunder into full effect."

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

Shanghai, 5 July 2021

* *For identification purpose only*

Principal place of business in Hong Kong:
Unit 2605, Island Place Tower
510 King's Road
North Point
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.

(3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the Meeting or any adjournment thereof.

(4) In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

(5) The votes for approving the Resolution shall be taken by poll.

(6) The holders of shares (the "**Shareholders**") whose names appear on the register of members on 20 July 2021 will be entitled to attend the Meeting. The holders of H shares of the Company ("**H Shares**") are reminded that the register of members of the Company's H Shares will be closed from 21 July 2021 to 20 August 2021, both days inclusive, during the period no transfer of H Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 20 July 2021. The holder of H Shares and whose name appears on the register of members of the Company's H Shares on 20 July 2021 or his/her proxy may attend the Meeting by bringing his/her own identity card or passport. The connected persons of the Acquisition shall abstain from voting in relation to the above Resolution.

(7) Shareholders who intend to attend the Meeting should complete and return the completed and signed reply slip for attendance to the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 30 July 2021 in accordance with the instructions printed thereon. Please use the enclosed reply slip or its copy for the purpose of confirmation.