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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)

VERY SUBSTANTIAL DISPOSAL TRANSACTION IN RELATION TO LAND RESUMPTION

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 Zhonggu Factories to the Offices for an aggregate compensation of approximately RMB87.0 million (equivalent to approximately HK\$106.1 million).

GEM LISTING RULES IMPLICATIONS

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.

GENERAL

A circular containing, among other things, (i) further information in relation to the Land Resumption Agreements and the Land Resumption contemplated thereunder; (ii) an independent valuation report in relation to Zhonggu Factories; (iii) the notice convening the extraordinary general meeting; and (iv) other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders in accordance with the GEM Listing Rules on or before 5 July 2021 as more time is required by the Company to prepare the information to be included in such circular.

Completion of the Land Resumption is conditional upon the passing of resolution(s) by the Shareholders to approve the Land Resumption Agreements and the Land Resumption contemplated thereunder at the Shareholders' general meeting. Should the Shareholders vote against the resolution(s) 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.

INTRODUCTION

References are made to the announcement dated 26 January 2016, the announcement dated 18 March 2019, the announcement dated 25 March 2019 and the announcement dated 31 May 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 Zhonggu Factories to the Offices for an aggregate compensation of approximately RMB87.0 million (equivalent to approximately HK\$106.1 million).

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 material and any auxiliary structures that were compensated under the Land Resumption Agreements. The Company shall hand over the entire bare shell of Zhonggu Factories to the Offices.

If 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 Land Resumption Agreements and the forfeiture of any relevant compensation of approximately RMB12.68 million (equivalent to approximately HK\$15.47 million). 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.

Zhonggu Factories

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 Zhonggu Factories, the three pieces of land had an aggregate area of 18,555 sq.m., which, included (i) 23 buildings situated on the land and specified in the three Building and Land Use Rights Certificate with an aggregated gross floor area of 8,742.73 sq.m. (as at the date of the Land Resumption Agreement, 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 Certificate erected on the land parcels of Zhonggu Factories with a total gross floor area of 2,787.59 sq.m. The land use rights of Zhonggu Factories have been granted for a term of 50 years for industrial use and will expire on 15 October 2050.

As at the date of this announcement, 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 Zhonggu Factories was approximately RMB24.3 million (equivalent to approximately HK\$29.6 million) as at 31 December 2020.

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 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 Zhonggu Factories.

The Directors after receiving the proposed agreements of compensation, took into consideration (i) the aggregate book value of Zhonggu Factories as at 31 December 2020 amount to RMB24.3 million; (ii) the initial preliminary valuation of 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 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 will be further disclosed in the circular); and (iii) 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(s) by the Shareholders to approve the Land Resumption Agreements and the Land Resumption contemplated thereunder at the Shareholders' meeting.

REASONS FOR AND BENEFITS OF THE LAND RESUMPTION

Zhonggu Factories were held by the Group upon establishment as the manufacturing plant of the Group. 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 Zhonggu Factories and rented Zhonggu Factories out as investment properties in 2011. 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 Zhonggu Factories had been included in the Land Zhonggu Redevelopment Proposal. Thereafter, two valuation reports were issued in respect of the value of 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 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 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 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(s) at the Shareholders’ general meeting, should the Shareholders vote against the relevant resolution(s) 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 Zhonggu Factories, particularly utilities there had been suspended, 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 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.

Except for the fair value gain on 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 Zhonggu Factories for the three financial years immediately preceding the date of the Land Resumption Agreements.

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:

- (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 Zhonggu Factories' ex-tenant;
- (iii) approximately RMB10.0 million (equivalent to approximately HK\$12.20 million) will be reserved for potential investment opportunities in the aquarium related industry;
- (iv) approximately RMB45.0 million (equivalent to approximately HK\$54.90 million) will be reserved for potential investment opportunities 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; and
- (vi) the remaining balance will be utilised as general working capital of the Group.

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(s) 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(s) to approve the Land Resumption Agreements and Land Resumption contemplated thereunder at the general meeting.

GENERAL

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Completion of the Land Resumption is conditional upon the passing of resolution(s) by the Shareholders to approve the Land Resumption Agreements and the Land Resumption contemplated thereunder at the Shareholders' general meeting. Should the Shareholders vote against the resolution(s) 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Company”	上海青浦消防器材股份有限公司 (Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*), a joint stock limited company incorporated in the PRC and its H Shares are listed on the GEM

“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) 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
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM (as amended from time to time)
“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
“Land Resumption”	the proposed land resumption of Zhonggu Factories by the Officers 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
“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, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhonggu Factories”	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 announcement, 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.

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

Shanghai, 7 June 2021

As at the date of this announcement, the executive Directors are Mr. Zhou Jin Hui (Chairman), Mr. Zhou Guo Ping and Mr. Shi Hui Xing; and the independent non-executive Directors are Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Song Zi Zhang.

This announcement, for which the Directors collectively and individually accept full responsibilities, 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will be published on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company www.shanghaiqingpu.com.

* For identification purpose only