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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 ACQUISITION AND
CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF THE TARGET EQUITY INTEREST
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE A AND
THE ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE B**

Financial Adviser to Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.



**Independent financial adviser to the
Independent Board Committee and Independent Shareholders**



THE ACQUISITION

The Board is pleased to announce that on 8 December 2024, the Vendor and the Company entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the Target Equity Interest at the total Consideration of RMB200 million (subject to adjustment), which will be satisfied as to (i) RMB28 million by the allotment and issue of the 28,000,000 Consideration Shares to the Vendor or its nominee(s); (ii) RMB85 million by the issue of the Convertible Bond by the Company to the Vendor or its nominee(s); and (iii) RMB87 million by cash.

The Target Group is principally engaged in fire safety training business. Upon the Completion, the Group will be interested in the entire equity interests of the Target Group, which will become wholly-owned subsidiaries of the Company. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Company upon the Completion.

ISSUE OF THE CONSIDERATION SHARES UNDER SPECIFIC MANDATE A

28,000,000 Consideration Shares will be allotted and issued at the price of RMB1.0 (equivalent to approximately HK\$1.1) per Consideration Share under Specific Mandate A to be approved by the Independent Shareholders at the EGM.

As at the date of this announcement, the Company has 187,430,000 Shares in issue. Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, the Consideration Shares represent (i) approximately 14.9% of the existing issued share capital of the Company; (ii) approximately 13.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (iii) approximately 9.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bond in full.

An application will be made to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares.

ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE B

Pursuant to the Sale and Purchase Agreement, 85,000,000 Conversion Shares will be allotted and issued at the Conversion Price of RMB1.0 (equivalent to approximately HK\$1.1) per Conversion Share upon exercise of the conversion rights attaching to the Convertible Bond in full, which represent: (i) approximately 45.4% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 39.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (iii) approximately 28.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bond in full.

The Conversion Shares will be allotted and issued pursuant to Specific Mandate B to be sought from the Independent Shareholders at the EGM.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Taking into consideration that the Vendor is wholly owned by Zhongliancheng, which is held as to (i) 35% by Mr. Zhou ZL, the son of Mr. Zhou; (ii) 30% by Ms. Jin, the mother of Mr. Zhou and Mr. Zhou JF; (iii) 18% by Mr. Zhou JF, the brother of Mr. Zhou; and (iv) 17% by Ms. Wang Xiang, who holds the equity interests in Zhongliancheng for and on behalf of Mr. Zhou, and the Vendor is therefore a connected person of the Company. Therefore, the Acquisition and the issue of Consideration Shares and the Convertible Bond constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In addition, the Consideration Shares and the Conversion Shares will be issued under the Specific Mandates which are subject to Independent Shareholders' approval at the EGM.

The issue of the Consideration Shares and the Conversion Shares will result in a theoretical dilution effect of approximately 7.8%, which is below the 25% threshold as specified under Rule 10.44A of the GEM Listing Rules. Therefore, the theoretical dilution impact of the issue of the Consideration Shares and the Conversion Shares is in compliance with Rule 10.44A of the GEM Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates, and to advise and provide recommendations to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Alpha Financial Group Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The EGM will be convened to seek the approval of the Independent Shareholders for the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates.

As at the date of this announcement, Liancheng holds 131,870,000 Domestic Shares of the Company and Liancheng (HK), a 100% subsidiary of Liancheng, holds 1,300,000 H Shares of the Company. Hengtai owns 80% of Liancheng and Mr. Zhou owns 20% of Liancheng. Hengtai is owned as to (i) 58% by Mr. Zhou; (ii) 20% by Mr. Zhou JF, the brother of Mr. Zhou; (iii) 19% by Mr. Zhou YW, the father of Mr. Zhou and Mr. Zhou JF; and (iv) 1% by Mr. Zheng Yi, the cousin of Mr. Zhou and Mr. Zhou JF.

As at the date of this announcement, the Vendor is wholly owned by Zhongliancheng, which is held as to (i) 35% by Mr. Zhou ZL, the son of Mr. Zhou; (ii) 30% by Ms. Jin, the mother of Mr. Zhou and Mr. Zhou JF; (iii) 18% by Mr. Zhou JF, the brother of Mr. Zhou; and (iv) 17% by Ms. Wang Xiang, who holds the equity interests in Zhongliancheng for and on behalf of Mr. Zhou, and the Vendor is therefore a connected person of the Company.

Based on the above, Liancheng, Liancheng (HK) and the Vendor are all controlled by Mr. Zhou and/or his family members. Accordingly, Liancheng and Liancheng (HK) are considered to have material interests in the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates. As such, each of Liancheng, Liancheng (HK) and their respective associates is required to abstain from voting on the resolutions approving the same at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from Liancheng and Liancheng (HK), no other Shareholders are materially interested in the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates who are required to abstain from voting on the resolutions to be proposed for approving the same at the EGM.

A circular containing, among other things (i) further information on the Acquisition; (ii) financial information on the Target Group; (iii) pro forma financial information of the Enlarged Group; (iv) the recommendations of the Independent Board Committee on the terms of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates; and (vi) other information as required under the GEM Listing Rules with the notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 December 2024 in order to allow sufficient time to prepare the necessary information to be included in the circular.

Shareholders and potential investors should note that completion of the Acquisition and the issue of the Consideration Shares and the Convertible Bond is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not occur. As the Acquisition and the issue of the Consideration Shares and the Convertible Bond may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 8 December 2024, the Vendor and the Company entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the Target Equity Interest at the total Consideration of RMB200 million (subject to adjustment), which will be satisfied as to (i) RMB28 million by the allotment and issue of 28,000,000 Consideration Shares to the Vendor or its nominee(s); (ii) RMB85 million by the issue of the Convertible Bond by the Company to the Vendor or its nominee(s); and (iii) RMB87 million by cash.

I. THE SALE AND PURCHASE AGREEMENT

Principal terms

The principal terms of the Sale and Purchase Agreement are set out below:

Date

8 December 2024

Parties

- (i) the Vendor; and
- (ii) the Company

Assets to be acquired

The Target Equity Interest, which comprises: (i) the entire equity interests in the Target Company; and (ii) 10% of the total equity interests in the Target Subsidiaries held by the Vendor. The Target Company is a wholly-owned subsidiary of the Vendor. The Target Subsidiaries are owned as to 90% by the Target Company and 10% by the Vendor.

Consideration and payment terms

Pursuant to the Sale and Purchase Agreement, the Consideration for the Acquisition is RMB200 million (subject to adjustment). The Consideration was arrived at with reference to the market value of the Target Equity Interest as at 30 September 2024 in the amount of RMB213 million according to the Business Valuation. The Consideration shall be adjusted in the following manner:

- (i) if the market value of the Target Equity Interest as at 31 December 2024 according to the Business Valuation is higher than RMB200 million, the Consideration shall be RMB200 million; or
- (ii) if the market value of the Target Equity Interest as at 31 December 2024 according to the Business Valuation is less than RMB200 million, the Consideration shall be the same as such market value.

In the event that no adjustment is required, the total Consideration of RMB200 million will be satisfied in the following manner:

- (i) RMB28 million by the allotment and issue of 28,000,000 Consideration Shares to the Vendor or its nominee(s);
- (ii) RMB85 million by the issue of the Convertible Bond by the Company to the Vendor or its nominee(s); and
- (iii) the remaining RMB87 million by cash.

In the event that the Consideration is adjusted downward, the cash portion of the Consideration shall be adjusted downward accordingly.

The Group will finance the cash portion of the Consideration by its internal resources. Further details of the proposed issue of the Consideration Shares and the Convertible Bond are set out in the sections headed “Issue of the Consideration Shares under Specific Mandate A” and “Issue of the Convertible Bond under Specific Mandate B” below respectively.

Conditions precedent

Pursuant to the Sale and Purchase Agreement, the Completion is subject to the fulfillment of the following conditions:

- (i) the results of the due diligence on the assets, liabilities, business, compliance and affairs of the Target Group are to the satisfaction of the Company in its sole discretion and independent judgement;
- (ii) all authorisations, consents, approvals, waivers, filings, permits or filings (if required) (in whatever form) required for the entering into of the Sale and Purchase Agreement and the performance of the transactions hereunder have been received and obtained from the relevant governmental authorities, regulatory bodies or other third parties in accordance with the applicable laws, statutes and regulations and such authorisations, consents, approvals, waivers, filings, permits or filings have not been revoked;
- (iii) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares and such permission has not been withdrawn;
- (iv) the Vendor has not materially breached the representation and warranties under the Sale and Purchase Agreement;
- (v) the Target Group has not experienced any events that could significantly affect its operations and value before or at the time of the Completion;
- (vi) the Target Group will continue to operate its business in an ordinary manner after the signing of the Sale and Purchase Agreement;

- (vii) all necessary approvals, consents and authorisations in respect of the entering into of the Sale and Purchase Agreement and the performance of the transactions contemplated under it and the execution of every necessary document having been obtained by each of the Parties;
- (viii) the passing of ordinary resolutions by the Independent Shareholders at the EGM approving the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and such resolutions have not been withdrawn;
- (ix) the Vendor has fully transferred the Target Business and IP Rights to the Target Company on or before the Completion Date and the entire fire safety training business along with the Target Business and IP Rights shall be the assets of the Company upon the Completion Date; and
- (x) no applicable law, rules and regulations (including but not limited to the GEM Listing Rules) prohibit the entering into of the Sale and Purchase Agreement and the performance of the transactions contemplated thereunder and all applicable laws, rules and regulations (including but not limited to the GEM Listing Rules) having been complied with by each of the Parties.

If any of the above conditions have not been fulfilled or waived on or before the Long Stop Date, the Sale and Purchase Agreement shall cease and terminate. The Parties will not have any liability or obligation with respect to the termination of the Sale and Purchase Agreement in such circumstances save for claim in respect of any antecedent breach.

Completion

The Vendor guarantees that it shall procure the Target Group to complete the registration of industrial and commercial changes (工商變更登記) to reflect the change of its ownership as a result of the Acquisition within 10 Business Days after all the above conditions precedent have been fulfilled. The Completion Date shall be the date of completion of the registration of industrial and commercial changes for the Target Group. Upon the Completion, the Group will be interested in the entire equity interests of the Target Group, which will become wholly-owned subsidiaries of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company. Within 10 Business Days after the Completion Date, the cash portion of the Consideration shall be paid to the Vendor and the issue of the Consideration Shares and the Convertible Bond shall be completed.

Arrangement during the Transitional Period

Pursuant to the Sale and Purchase Agreement, the period between the reference date used for the transactions under the Sale and Purchase Agreement (i.e. 31 December 2024) and the Completion Date shall be the Transitional Period. During the Transitional Period:

- (a) the profits and losses generated by the Target Group during the Transitional Period shall be borne by the Vendor, which shall not lead to the adjustment of the Consideration;

- (b) any new training institutions or major R&D projects to be established or launched during the Transitional Period shall be established or carried out after obtaining written approval from both of the Parties. The assets generated by the new training institutions and the results from the R&D projects are the assets of the Company, which shall also bear the associated costs; and
- (c) for projects which are part of the Target Business and IP Rights, any profits or losses derived from authorized, developed, or operational projects shall be assumed and exclusively enjoyed by the Vendor.

II. ISSUE OF THE CONSIDERATION SHARES UNDER SPECIFIC MANDATE A

Pursuant to the Sale and Purchase Agreement, 28,000,000 Consideration Shares will be allotted and issued to the Vendor or its nominee(s) at the price of RMB1.0 (equivalent to approximately HK\$1.1) per Consideration Share to satisfy part of the Consideration.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion, the Consideration Shares represent (i) approximately 14.9% of the existing issued share capital of the Company; (ii) approximately 13.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (iii) approximately 9.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bond in full.

The Issue Price

The Issue Price of RMB1.0 (equivalent to approximately HK\$1.1) represents:

- (i) a discount of approximately 19.8% to the closing price of HK\$1.35 per H Share as quoted on the Stock Exchange on the trading day immediately prior to the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 22.0% to the average closing price of HK\$1.39 per H Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 20.3% to the average closing price of HK\$1.36 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was determined with reference to the prevailing market prices of the H Shares and was negotiated on an arm's length basis between the Company and the Vendor. The Directors (excluding the members of the Independent Board Committee whose views are to be included in the circular to be despatched by the Company, after being advised by the Independent Financial Adviser) consider that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Specific Mandate A

The Consideration Shares will be allotted and issued pursuant to Specific Mandate A to be sought for approval from the Independent Shareholders at the EGM.

Ranking of the Consideration Shares

The Consideration Shares shall rank *pari passu* in all respects among themselves and with the existing H Shares in issue on the date of allotment and issue of the Consideration Shares.

Application for listing

An application will be made to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares.

III. ISSUE OF THE CONVERTIBLE BOND UNDER SPECIFIC MANDATE B

Principal terms of the Convertible Bond

The terms of the Convertible Bond have been negotiated on an arm's length basis and the principal terms are summarised below:

Issuer:	The Company
Principal amount:	RMB85,000,000
Issue price:	100% of the principal amount of the Convertible Bond
Maturity date:	The fifth anniversary of the date of issue of the Convertible Bond
Interest rate:	The Convertible Bond is zero coupon and does not bear interest
Conversion Price:	RMB1.0 (equivalent to approximately HK\$1.1) per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Bond, upon occurrence of, among other things, subdivision or consolidation or reclassification of H Shares, capitalisation of profits or reserves, rights issues of H Shares or options over H Shares, rights issues of other securities at less than the latest applicable Conversion Price, and other events as described in the terms and conditions of the Convertible Bond.

The Conversion Price of RMB1.0 (equivalent to approximately HK\$1.1) per Conversion Share represents:

- (i) a discount of approximately 19.8% to the closing price of HK\$1.35 per H Share as quoted on the Stock Exchange on the trading day immediately prior to the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 22.0% to the average closing price of HK\$1.39 per H Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 20.3% to the average closing price of HK\$1.36 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Conversion Price of RMB1.0 per Conversion Share was determined after arm's length negotiations between the Company and the Vendor with reference to the prevailing market price and recent trading performance of the H Shares.

Conversion rights:

The Bondholder shall have the right at any time during the conversion period to convert the whole or any part of its principal amount outstanding (provided that each conversion must be in respect of a minimum aggregate principle amount of RMB1,000) under the Convertible Bond into Conversion Shares at the Conversion Price (subject to adjustments pursuant to the terms and conditions of the Convertible Bond).

The Bondholder may exercise the right to convert the outstanding Convertible Bond by delivering a conversion notice at any time during the conversion period. The Bondholder shall not exercise any conversion rights to such an extent that results or will result in:

- (i) the Bondholder and parties acting in concert with it will trigger a mandatory offer obligation under the Takeovers Code, unless (a) the Bondholder and parties acting in concert with it will make a general offer to all the Shareholders in accordance with the Takeovers Code; or (b) such implied general offer by the Bondholder and parties acting in concert with it to all the Shareholders will be waived by the Securities and Futures Commission; or
- (ii) less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of the total issued Shares would be held by the public immediately after the relevant exercise of conversion rights.

Conversion period:

The period commencing on the third anniversary of date of issue of the Convertible Bond up to and including the date which is five Business Days prior to the maturity date of the Convertible Bond.

Conversion Shares:

The Conversion Shares will in all respects rank pari passu with the H Shares in issue on the relevant conversion date. Assuming that the Convertible Bond is fully converted into Conversion Shares at the Conversion Price of RMB1.0, a total of 85,000,000 Conversion Shares will be issued, representing (i) approximately 45.4% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 39.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (iii) approximately 28.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bond in full.

The Conversion Shares will be issued under Specific Mandate B. An application will be made to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

- Redemption: Upon the occurrence of any event of default (as stipulated in the terms and conditions of the Convertible Bond) on or before the maturity date, the Bondholder shall have the right to require the Company to redeem all of the outstanding Convertible Bond at the principal amount. Unless previously converted or redeemed, the Company shall on the maturity date redeem the outstanding principal amount of the Convertible Bond.
- Transferability: The Convertible Bond may be transferred in whole or in part of its outstanding principal amount (provided that each transfer must be in respect of a minimum aggregate principle amount of RMB1,000). Such transfer shall be in compliance with the terms of the Convertible Bond and with the approval from the Company.
- Listing: No application will be made for the listing of the Convertible Bond on any stock exchange.
- Voting: The Bondholder will not be entitled to receive notices of, attend or vote at any meetings of the Shareholders by reason only of it being the Bondholder.
- Events of default: If any of the following events occurs, any Bondholder may give notice to the Company that the outstanding principal amount of the Convertible Bond shall become immediately due and payable:
- (i) the Company fails to pay the principal of the Convertible Bond when due;
 - (ii) the Company fails to issue the Conversion Shares in accordance with the terms of the Convertible Bond;
 - (iii) any breach by the Company of the performance of, or compliance with, any covenant, representation, condition or terms made by the Issuer contained in terms of the Convertible Bond and such breach is not remedied after the expiration of five Business Days from the date of written notice given by any Bondholder to the Company;

- (iv) any resolution is passed, or any order is made by an authorised court, relating to the dissolution or winding up of the Company, or to the disposal by the Company of all (or nearly all) of its assets, except where such dissolution, winding up or disposal distribution is as a result of, or in connection with, or immediately following, any amalgamation, merger by absorption, de novo amalgamation or reorganisation;
- (v) an encumbrancer takes possession (whether by way of distress, attachment, execution, seizure before or after judgment or by other legal process) or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries and is not discharged, paid out, withdrawn or remedied within 30 Business Days;
- (vi) the listing of H Shares on the Stock Exchange is suspended for more than 14 consecutive trading days, or the listing of H Shares on the Stock Exchange is withdrawn or revoked;
- (vii) proceedings are instituted against the Company under any applicable bankruptcy, reorganisation or insolvency law and such proceedings are not dismissed or stayed for a period of 45 days; or
- (viii) the Company ceases, or threatens to cease, to carry on all or a substantial part of its business.

INFORMATION OF THE VENDOR

The Vendor is a limited liability company incorporated in PRC in 2003. As at the date of this announcement, the Vendor is wholly owned by Zhongliancheng, which is held as to (i) 35% by Mr. Zhou ZL, the son of Mr. Zhou; (ii) 30% by Ms. Jin, the mother of Mr. Zhou and Mr. Zhou JF; (iii) 18% by Mr. Zhou JF, the brother of Mr. Zhou; and (iv) 17% by Ms. Wang Xiang, who holds the equity interests in Zhongliancheng for and on behalf of Mr. Zhou.

As at the date of this announcement, the Vendor and its subsidiaries (including the Target Group) are principally engaged in the provision of fire safety training services in the PRC.

According to the Private-run Education Law (2018 Version) promulgated on 29 December 2018, all training institutions providing fire-safety training services shall obtain the Permit for Operating a Private-run School. The Vendor has obtained the Permit for Operating a Private-run School in October 2022. Pursuant to the Sale and Purchase Agreement, the

Vendor undertakes and guarantees to the Company that, after the Completion Date, the Vendor will not be involved in any business or activity, whether within or outside the PRC, which actually or potentially competes, directly or indirectly, with any business now or in the future carried on by the Company, in any way (including, without limitation, by operating on its own or by way of joint ventures or by holding shares or other interests in other companies or enterprises).

The Target Business and IP Rights

Pursuant to the Sale and Purchase Agreement, one of the conditions precedent of the Completion is that the Vendor has fully transferred the Target Business and IP Rights to the Target Company on or before the Completion Date. The Target Business and IP Rights are held by the Vendor due to the following reasons:

- (i) the Vendor was established prior to the Target Group and had a professional team specializing in the research and development of intellectual properties related to teaching materials and training systems. The Target Group, wholly owned by the Vendor, does not need to reinvest in developing intellectual properties; and
- (ii) the Target Subsidiaries and the Training Institutions, as the entities responsible for implementing training tasks, do not undertake research and development tasks.

The Directors confirmed that there will not be any continuing connected transaction with the Vendor after the Completion.

INFORMATION OF THE TARGET GROUP

The Target Company is a limited liability company incorporated in PRC and is principally engaged in investment holding. The Target Company is a wholly-owned subsidiary of the Vendor.

The Target Subsidiaries, by themselves or through the Training Institutions in which they own sponsor's interests, are principally engaged in the provision of fire safety training services in the PRC.

Sponsor's interests

The sponsor of a training institution is an entity that invests in and establishes a training institution which bears the responsibilities for the institution's management and governance. Due to the amendments to the Private-run Education Law, there are two types of sponsor's interests, the differences are set out below:

- (i) training institutions established before the implementation of the Private-run Education Law (2016 Version), which came into effect on 1 September 2017, shall be registered as private non-enterprise units. Their sponsors could obtain reasonable returns from the surplus of the Training Institutions after deducting operating costs, development fund and other necessary expenses in accordance with relevant regulations and such interests are known as one type of sponsor's interests, which are distinct from equity interests;

- (ii) training institutions established after the implementation of the Private-run Education Law (2016 Version) can be registered as limited companies. Their sponsors can obtain equity interests according to the Company Law of the PRC (中華人民共和國公司法) and such interests are known as the other type of sponsor's interests.

The Target Subsidiaries are owned as to 90% by the Target Company and 10% by the Vendor. Some of the Target Subsidiaries have obtained the Permit for Operating a Private-run School while the others are the sponsors of the Training Institutions and do not need to obtain the said permit themselves. Further details about the two types of the Target Subsidiaries are set out below:

The Target Subsidiaries with the Permit for Operating a Private-run School

They were registered as limited companies and their sponsors, which are the Target Company and the Vendor, are also their shareholders. They can engage in the provision of fire safety training services in the same way as the Training Institutions.

The Target Subsidiaries without the Permit for Operating a Private-run School

They were established before the implementation of the Private-run Education Law (2016 Version) as well as pursuant to local government policies with their equity interests owned by the Target Company and the Vendor. They are the sponsors of the Training Institutions which have obtained the Permit for Operating a Private-run School and they invest, establish and have control over the Training Institutions.

As mentioned above, the Training Institutions have each been registered as a private non-enterprise unit or a limited liability company in accordance with the laws of the PRC. Each of the Training Institutions is a vocational skills training institution (職業技能培訓機構) which has obtained the Permit for Operating a Private-run School. The Training Institutions principally provide vocational skills training to fire facility operators, firefighters, fire safety management personnel, security personnel and staff of critical fire-fighting units, as well as exam preparation services for candidates taking the registered fire-fighting engineer examination.

The Target Group operates the following operation and financial models:

Direct model: The Target Group provides fire safety training services through training institutions which cater to the needs of candidates looking for vocational skills training to qualify as fire facility operators, firefighters, fire safety management personnel, security personnel and staff of critical firefighting units, as well as exam preparation courses for candidates taking the registered firefighting engineer examination. The Target Group deliver these services through a team of qualified instructors, including experienced fire facility operators and registered fire engineers. By provision of fire safety training services to its customers, the Target Group collects training fees from individuals that are enrolled in training institution owned by the Target Group. Revenue from tuition fees is recognized upon the completion of the training.

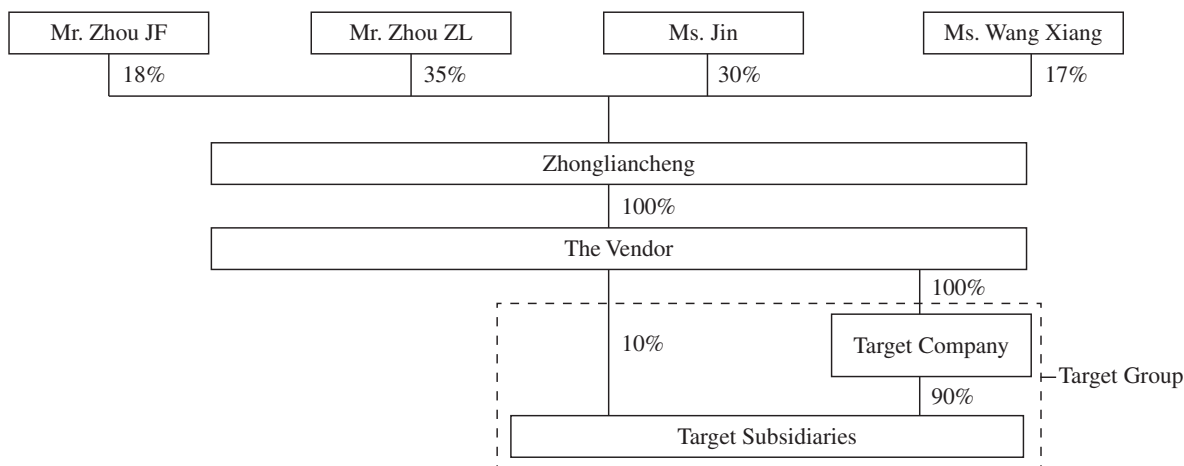
Licensing model: Under the licensing model, in exchange of the usage of the Vendor’s intellectual properties in relation to the business of fire safety training, the licensees, which are training institutions not owned by the Target Group, pay a fixed usage fee per enrolled student to the Vendor. As at the date of the announcement, the Vendor is the registered owner of the above intellectual properties. Pursuant to the Sale and Purchase Agreement, the intellectual property rights in relation of the relevant intellectual properties, together with the licensing agreements, are part of the Target Business and IP Rights.

Based on the unaudited management account of the Target Group, the proportion of income generating from direct model and licensing model for FY2022, FY2023 and 9M2024 are set out in the table below:

	FY2022		FY2023		9M2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Income generated from						
Direct model	173,744	100.0	220,042	99.9	158,660	99.8
Licensing model	<u>43</u>	<u>—*</u>	<u>291</u>	<u>0.1</u>	<u>278</u>	<u>0.2</u>
	<u>173,787</u>	<u>100.0</u>	<u>220,333</u>	<u>100.0</u>	<u>158,938</u>	<u>100.0</u>

* represents percentage ratio of less than 0.1%.

The shareholding structure of the Vendor and the Target Group as at the date of this announcement is set out below:



FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the key combined financial information of the Target Group for FY2022, FY2023 and 9M2024, which has been prepared in accordance with the China Accounting Standards for Business Enterprises. The Target Group's principal business, which is the provision of fire safety training, is subject to seasonal fluctuations and generally generates more of its revenue in the fourth quarter of the year. As such, the Directors are of the view that these seasonal patterns are likely to recur.

	Year ended 31 December		Nine months ended
	2022	2023	30 September
	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000
Revenue	173,787	220,333	166,937
Net (loss)/profit before taxation	(33,053)	18,410	13,165
Net (loss)/profit after taxation	(33,426)	17,990	9,649

The net loss after taxation in FY2022 of approximately RMB33.4 million was principally due to (i) the Target Group's revenue dropped by 23.2% from approximately RMB226.3 million in the previous year to approximately RMB173.8 million in FY2022, attributable to the prevention and control of COVID-19 during 2022; and (ii) the Target Group still needed to cover certain administration expenses of approximately RMB81.5 million, which accounted for approximately 46.9% of revenue during the year.

Since all of COVID-19 restrictions were lifted in 2023, the Target Group's business resumed normal and recorded a net profit after taxation of approximately RMB18.0 million in FY2023. In particular, the Target Group's revenue increased by 26.8% to approximately RMB220.3 million in FY2023, while its (i) cost of sales dropped by 11.6% from approximately RMB87.0 million in FY2022 to approximately RMB76.9 million in FY2023; and (ii) administration expenses accounted for approximately 39.1% of revenue in FY2023, compared to approximately 46.9% in the previous year due to economies of scale.

Based on the unaudited management account, there are investment losses, non-operating income and non-operating expenses in the Target Group's financial information for FY2022, FY2023 and 9M2024. However, the Target Group's financial information may be subject to certain audit adjustments.

The unaudited combined net asset value of the Target Group as at 30 September 2024 was approximately RMB71.1 million.

Further details of the financial information of the Target Group will be presented in the circular to the Shareholders.

BUSINESS VALUATION

The Consideration was determined based on, among others, the valuation that the market value of the Target Equity Interest as at the Valuation Date was approximately RMB213 million, as appraised by the Valuer under the market approach.

Valuation Methodology Adopted by the Valuer

To select the most appropriate approach for conducting the Business Valuation, the Valuer considered the application of three common approaches used to estimate the value of the Target Equity Interest, namely (i) the asset-based approach, (ii) the market approach and (iii) the income approach.

The Valuer did not consider the asset-based approach to be an appropriate valuation methodology due to the reasons that it does not reflect the future earning potential of the Target Group, and the asset-based approach does not reflect the value of the intangible elements, e.g. trademarks, customer relationships, etc., owned by the Target Group.

To successfully apply the income approach, a reliable financial forecast which is grounded in historical performance data is essential. The business of the Target Group experienced significant disruptions in recent years due to the COVID-19 pandemic. Consequently, the performance during the COVID-19 pandemic period is not considered a reliable reference as the likelihood of similar disruptions occurring in the near future is low. Over the past 12 months, the business of the Target Group demonstrated strong growth. However, it remains uncertain whether such growth can be sustained or replicated in the near future. This uncertainty presents challenges in developing a reliable financial forecast for a period of three to five years. As a result, the Valuer also rejected the application of the income approach.

The market approach assumes that the share prices of comparable companies in the same or a similar industry provide objective evidence of the values at which investors are willing to buy or sell the interest of other companies in that industry, offering insight into valuable multiples that reflect current market conditions. Therefore, the Valuer adopted the guideline public company method under the market approach, which provides a direct comparison of the Target Group and similar business ownership interests in publicly traded companies that have been sold. The Valuer confirmed that, based on the market approach, the parameters used to develop the pricing multiples have already incorporated all the relevant assets, including the intellectual properties. As a result, the Business Valuation has considered the Target Business and IP Rights.

Key Assumptions

The following key assumptions were adopted in the Business Valuation:

- (i) there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the PRC;
- (ii) there will be no significant deviation in the industry trend and market condition from the current market expectation;
- (iii) there will be no major change in the current taxation law and policies in the PRC;
- (iv) all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, remain in good standing and can be procured with no additional costs or fees; and
- (v) the registration of industrial and commercial changes for the Target Group is completed on the Valuation Date.

Details of the Comparable Companies in the Business Valuation

The Valuer searched for comparable companies, the business nature and the place of operation of which are similar to that of the Target Company (“**Comparable Companies**”), from Bloomberg and other sources. The selection criteria of the Comparable Companies are as follows:

- (i) public companies listed in the PRC or Hong Kong stock exchanges; and
- (ii) companies that are involved in the high-level vocational education and training industry in the PRC, excluding universities, where vocational education and training business accounts for at least 30% of their total revenue.

The table below sets out the Comparable Companies selected by the Valuer based on the above criteria. The Valuer has confirmed that the Comparable Companies listed in the table below were exhaustive based on its research.

Company Name	Stock Code	Description	Market Capitalisation as at the Valuation Date (RMB million)	The portion of related revenue
China East Education Holding Limited	667 HK	China East Education Holdings Limited is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions.	5,964	100%
China Education Group Holdings Limited	839 HK	China Education Group Holdings Limited is an investment holding company. The principal activities of its subsidiaries are engaged in the operation of private higher vocational and secondary vocational education institutions.	13,386	80.81%(a)
China Vocational Education Holdings Limited	1756 HK	China Vocational Education Holdings Limited is a private higher education and vocational education group in South China, offering applied science-focused and practice-oriented programs.	629	38.56%(b)
Fenbi Limited	2469 HK	Fenbi Limited is an investment holding company. The company and its subsidiaries are principally engaged in providing non-formal vocational education and training services in China.	6,736	100%
South China Vocational Education Group Company Limited	6913 HK	South China Vocational Education Group Company Limited is principally engaged in the provision of higher vocational education service in China.	410	100%

Company Name	Stock Code	Description	Market Capitalisation as at the Valuation Date <i>(RMB million)</i>	The portion of related revenue
Offcn Education Technology Company Limited	002607 CH	Offcn Education Technology Company Limited offers education training services. The company provides civil servants, institutions, and teachers training services. Offcn Education Technology mainly operates businesses in China.	16,960	100%
Jiangsu Chuanzhiboke Education Technology Company Limited	003032 CH	Jiangsu Chuanzhiboke Education Technology Company Limited and its subsidiaries are primarily engaged in providing digital talent training service.	4,210	100%
Huatu Cendes Company Limited	300492 CH	Huatu Cendes Company Limited provides architectural engineering, design services, and vocational education services. Huatu Cendes serves customers in China.	12,342	80.15%(b)

(a) Based on 2022 annual report. This represents a proportion of the vocational education segment.

(b) Based on 2023 annual report. This represents a proportion of the vocational education segment.

Details of Pricing Multiples and Adjustments in the Business Valuation

The Valuer selected two pricing multiples, namely (i) enterprise value-to-earnings before interest and tax (“**EV/EBIT**”) and (ii) price-to-earnings (“**P/E**”), to determine the market value of the Target Equity Interest. These two pricing multiples are relevant to the business of the Target Group and are commonly used in valuations of companies with positive earnings. The EV/EBIT and P/E ratios of the Comparable Companies are set out in the table below:

Company Name	EV/EBIT	P/E
China East Education Holding Limited	7.76	16.85
China Education Group Holdings Limited	7.62	7.06
China Vocational Education Holdings Limited	4.79	1.58
Fenbi Limited	15.06	17.74
South China Vocational Education Group Company Limited	3.89	3.67
Offcn Education Technology Company Limited	608.52*	-76.31*
Jiangsu Chuanzhiboke Education Technology Company Limited	-27.92*	-51.98*
Huatu Cendes Company Limited	154.60	3,651.40*
AVERAGE	32.29	9.38
MEDIAN	7.69	7.06

* considered as an outlier

Negative pricing multiples are not meaningful and, therefore, were excluded from this analysis. One Comparable Company was excluded from this analysis due to its extreme outlier value: Huatu Cendes Company Limited, with a P/E ratio exceeding 3,000 times. This pricing multiple was deemed an extreme outlier as it exceeded the upper limited defined by Turkey’s fences, a statistical method that identifies extreme outliers based on the interquartile range.

Based on the information set out above, the Valuer identified outliers and excluded them from calculating the median EV/EBIT ratio of 7.69 times and the median P/E ratio of 7.06 times, which were adopted in the Business Valuation.

The Valuer adopted the trailing twelve-month earnings before interest and tax (“**EBIT**”) and net profits in the Business Valuation. The trailing twelve-month EBIT and net profits of the Target Group as at the Valuation Date were approximately RMB34.9 million and RMB29.3 million.

The Valuer explained that the Target Group exhibits a strong seasonality pattern, with the majority of its profits typically generated in the last quarter.

Based on the Valuer's explanation, the reasons most of the profits of the Target Group were recorded in the last quarter are as follows:

1. Revenue seasonality

The first quarter includes several public holidays, such as New Year, Lunar New Year (Spring Festival), and Lantern Festival. Particularly during the period from the Spring Festival to the Lantern Festival, there is minimal business activity. For the Target Group, enrollment and teaching activities typically resume gradually after the Lantern Festival, resulting in significantly lower operating revenue in the first quarter compared to the other three quarters.

The revenue in the last quarter is usually the highest. In FY2023, about 34% of the annual revenue was recognized in the last quarter.

2. Costs seasonality

According to Chinese customs, the period leading up to the Lunar New Year (Spring Festival) involves significant client visits, banquets, annual meetings, and other activities, which contribute to increased business expenses.

Additionally, it is a tradition for the Target Group to hold a national working conference in the first quarter to plan for the new year. With the Training Institutions under the Target Group spread across 30 provinces in the PRC and involving hundreds of participants, organizing the national working conference every year incurs higher administrative expenses, including travel and conference costs, leading to an increase in expenses.

Moreover, as there are fewer training activities in the first quarter of each year, work meetings such as teacher training and assessment of research and development projects are arranged during this period, further driving up expenses.

Other factors, such as employee holiday benefits and team-building activities, result in the first-quarter expenses being significantly higher than those of the remaining three quarters.

As a result, in FY2023, the Target Group generated a marginal loss of RMB1.7 million in the first three quarters, but it generated RMB19.7 million profits in the last quarter.

As outlined above, the financial performance of the Target Group cannot be reliably measured by simply pro-rating the financial results of the first three quarters. Instead, using trailing twelve-month financial results provides a more accurate and comprehensive representation of the Target Group's financial performance. This also accounts for the higher trailing twelve-month financial figures utilized in the Business Valuation compared to the profit figures disclosed in the "Financial Information of the Target Group" section.

As the Company aimed to acquire the entire equity interests in the Target Group, the Valuer applied a control premium of 26.8% according to the FactSet/BVR Control Premium Study for the Services and Others industry. Furthermore, the Valuer adopted a 30% discount for lack of marketability. This was determined by referencing the common range of discounts applicable to majority shareholdings, as outlined in the Discount for Lack of Marketability Guide and Toolkit published by VPS.

After the adjustment of the control premium and the discount for lack of marketability as set out above, the market value of the Target Equity Interest was calculated to be in the range of RMB182.6 million to RMB243.6 million, with an average of RMB213.1 million. Therefore, the market value of the Target Equity Interest as at the Valuation Date was RMB213 million.

The table below summarises the calculation procedure of the market value of the Target Equity Interest as at the Valuation Date:

In RMB'M	EV/EBIT	P/E
Trailing 12-month financials	34.92	29.31
Applied pricing multiple	7.69x	7.06x
	268.52	206.93
Add: Bank and cash balance	7.14	—
Add: Excess liabilities	(1.16)	(1.16)
Pre-adjusted 100% equity interest in the Target Group	274.50	205.76
Control premium	73.56	55.15
Subtotal	348.06	260.91
Discount for lack of marketability	(104.42)	(78.27)
Adjusted 100% equity interest in the Target Group	243.64	182.64
Adopted 100% equity interest in the Target Group	213.14	
Market value of the Target Equity Interest	213	

Note: Numbers may not sum to total due to rounding

INFORMATION ON THE COMPANY

The Company is an investment holding company. 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 (excluding Hong Kong) and overseas, provision of fire technology inspection services, installation and inspection of marine fire-fighting equipment, sales of aquarium products and property investment segment.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY AFTER THE COMPLETION AND IMMEDIATELY UPON FULL CONVERSION OF THE CONVERTIBLE BOND

Before the Acquisition, the Company has in issue a total of 187,430,000 Shares, including 131,870,000 Domestic Shares and 55,560,000 H Shares.

Set out below is the shareholding structure of the Company: (i) as at the date of this announcement; (ii) after the Completion; and (iii) immediately upon full conversion of the Convertible Bond for illustration purpose (assuming that there will be no change in the issued share capital of the Company from the date of the Completion and up to the date of full conversion of the Convertible Bond other than the issue of the Consideration Shares and the Conversion Shares):

Shareholders	As at the date of this announcement			After the Completion			After the Completion and immediately upon full conversion of the Convertible Bond ^{Note (1)}		
	Approximate Percentage of the total Shares of all classes in issue		Approximate Percentage of the total H Shares in issue	Approximate Percentage of the total Shares of all classes in issue		Approximate Percentage of the total H Shares in issue	Approximate Percentage of the total Shares of all classes in issue		Approximate Percentage of the total H Shares in issue
	Number of Shares			Number of Shares			Number of Shares		
H Shares									
The Vendor or its nominee(s)	—	—	—	28,000,000	13.0%	33.5%	113,000,000	37.6%	67.0%
Liancheng (HK) ^{Note (2)}	1,300,000	0.7%	2.3%	1,300,000	0.6%	1.6%	1,300,000	0.4%	0.8%
Public holders of H Shares	54,260,000	29.0%	97.7%	54,260,000	25.2%	64.9%	54,260,000	18.1%	32.2%
Domestic Shares									
Liancheng	<u>131,870,000</u>	<u>70.4%</u>	<u>—</u>	<u>131,870,000</u>	<u>58.5%</u>	<u>—</u>	<u>131,870,000</u>	<u>43.9%</u>	<u>—</u>
Total Shares	<u>187,430,000</u>	<u>100.0%</u>	<u>—</u>	<u>215,430,000</u>	<u>100%</u>	<u>—</u>	<u>300,430,000</u>	<u>100%</u>	<u>—</u>

Notes:

- (1) Such shareholding structure is for illustration purpose only. The exercise of the conversion rights under the Convertible Bond by the Vendor or its nominee(s) shall be subject to the terms and conditions of the Convertible Bond, including that the Bondholder shall not exercise any conversion rights to such an extent that results or will result in less than 25% or the minimum prescribed percentage of the Shares as set out in the GEM Listing Rules would be held by the public immediately after the relevant exercise of the conversion rights. For details, please see the sub-section headed “Conversion rights” under the section headed “Issue of the Convertible Bond under Specific Mandate B” above.
- (2) Liancheng (HK) is a 100% subsidiary of Liancheng. Hengtai owns 80% of Liancheng and Mr. Zhou owns 58% of Hengtai. Accordingly, Hengtai and Mr. Zhou were deemed to be interested in 1,300,000 H shares in the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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 (excluding Hong Kong) and overseas, provision of fire technology inspection services, installation and inspection of marine fire-fighting equipment, sales of aquarium products and property investment segment.

As disclosed in the announcement dated 7 June 2021, the Company will use part of the net proceeds in relation to the land resumption for potential investment opportunities in the fire-fighting industry. As mentioned in the quarterly report of the Company for 9M2024, the Company is actively assessing opportunities to develop and acquire businesses with growth potential in the fire-fighting industry. This strategy aims to enhance profitability, bring synergistic effect and establish a significant presence in the manufacturing, selling, and provision of fire-fighting equipment and services in the fire-fighting industry in the PRC.

According to recent policy initiatives from various departments of the State Council which announced the importance of industrial and fire safety measures (for instance, the 14th Five-Year Plan — National Fire Safety Work Plan (“十四五”國家消防工作規劃) and the Three-Year Action Plan), fire safety has been identified as a top national priority, with various initiatives introduced to elevate fire safety standards. The Three-Year Action Plan, in particular, requires intensive training for key personnel across industries to strengthen workplace fire safety. The Directors believe that these policies will drive the fire safety industry towards a comprehensive approach that includes solutions, equipment, inspection, and training, in line with the “Big Fire Safety” ecosystem. This policy environment has shaped a more favorable environment for the Company to expand within the fire safety industry while strengthening its core business.

In light of these policy-driven opportunities, the Directors are proposing to acquire the Target Group, which aligns with the growth in the “Big Fire Safety” ecosystem and complements the Group’s existing operations. The Target Group specializes in fire safety training, an essential service that supports the Group’s customers, as the regulations in the PRC require personnel in specific positions and premises must receive fire safety training to ensure the correct use of fire-fighting equipment and the maintenance of fire safety. For the year ended 31 December 2023, the Target Group achieved a revenue of RMB220.3 million, with an annual growth rate of 26.8%. Through the Acquisition, the Group will be positioned to offer a full suite of fire safety solutions encompassing equipment, inspection and training services. By providing integrated services, the Group expects to improve customer loyalty and retention as clients benefit from a single, trusted provider for all fire safety needs.

The businesses of the Group and the Target Group are complementary as they are under the same regulatory framework

The businesses of the Group and the Target Group are highly complementary, as both operate within the same regulatory framework governed by NFRA under Ministry of Emergency Management. Since 2018, the fire-safety equipment manufactured by the Group was evaluated by China Certification Center for Fire Products (消防產品合格評定中心) under Ministry of Emergency Management, and its operations are administrated and supervised by Emergency Communication and Technology Department (應急通信和科技司) under NFRA. Similarly, the Target Group’s occupational trainings for the fire-fighting industry are administrated by NFRA with Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) providing guidance and certification in relation to such business.

Given that the Group’s principal business and the Target Group’s principal business are all under the “Big Fire Safety” ecosystem and regulated by the same department (i.e. NFRA under Ministry of Emergency Management) in the PRC, the Acquisition is a natural industry extension for the Group. The Acquisition aligns with the policies issued by the government and governed by the relevant authorities and thus, it is the ordinary course for the Group to complement its existing business via the Acquisition.

The Acquisition will strengthen the Group’s existing market presence in the PRC and broaden the revenue base of the Group

The Acquisition is expected to strengthen the Group’s position in the “Big Fire Safety” ecosystem and facilitate its entry into new regions within the PRC. Coupled with the PRC’s top-down state-led promotion of national policies as mentioned above, the Directors are of the view that the future demand for fire safety services will continue to grow, and therefore, the Acquisition will broaden the revenue base and improve the profitability of the Group by capitalizing on these favourable market conditions.

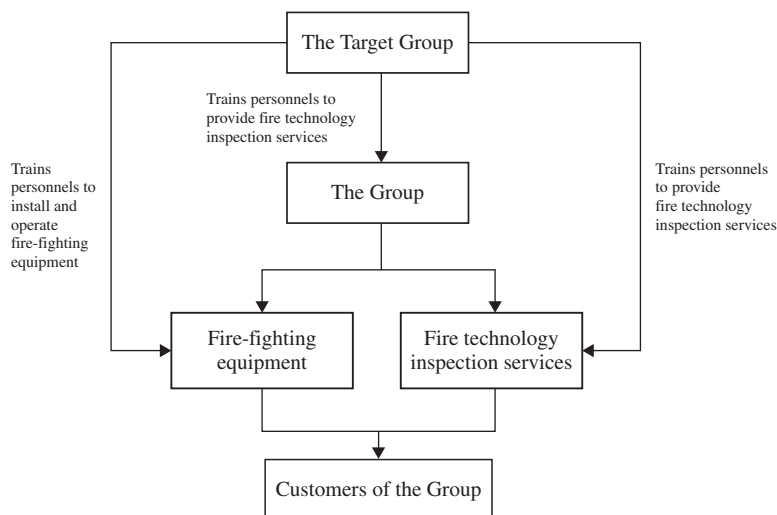
The Directors are confident that the business of the Group and the Target Group are complementary businesses that will generate synergistic benefits. Currently, the Group is principally conducting the sales of fire-fighting equipment and providing fire-fighting inspection services in Shanghai. Through the Acquisition, the Group will gain access to the Target Group’s established operations across 30 provinces in the PRC, significantly expanding its market presence nationwide. This expanded footprint is expected to allow the Group to sell fire-fighting equipment and provide inspection services and training services to a broader customer base through the Target Group’s extensive network of fire-safety training centres.

The Target Group has an established business with a solid track record of financial performance

The Target Company was established in the PRC in 2017 and is an investment-holding company. The Target Subsidiaries, by themselves or through the Training Institutions, are principally engaged in the provision of fire-safety training services in the PRC covering 30 provinces across the PRC. The Target Group has an established business in the PRC with a solid track record of financial performance. Please refer to the section headed “Financial Information of the Target Group” in this announcement for more information.

On the whole, the Directors are of the view that the Acquisition is an excellent opportunity for the Group to generate synergies, capture larger market share and solidify the position of the Group in fire safety industry. Considering the abovementioned factors, the Directors consider the Acquisition represents a vertical integration of the Group’s existing business which is in line with the Company’s abovementioned strategy. During FY2022, FY2023 and 9M2024, the Group was able to sell its fire-fighting equipment products and provide fire technology inspection services to certain customers located in Shanghai, due to the Target Group provided fire safety training services to the staff of the same customers. In other words, the Group and the Target Group were able to enjoy cross-selling in the past. As such, upon the Completion, the Group is able to extend the abovementioned strategies to other areas/cities in the PRC beyond Shanghai, which complements the Group’s business.

The following graph illustrates the vertical integration relationship between the Group and the Target Group:



The Directors (excluding the independent non-executive Directors (whose views will be given after taking into consideration the advice from the Independent Financial Adviser)) consider the Acquisition and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Taking into consideration that the Vendor is wholly owned by Zhongliancheng, which is held as to (i) 35% by Mr. Zhou ZL, the son of Mr. Zhou; (ii) 30% by Ms. Jin, the mother of Mr. Zhou and Mr. Zhou JF; (iii) 18% by Mr. Zhou JF, the brother of Mr. Zhou; and (iv) 17% by Ms. Wang Xiang, who holds the equity interests in Zhongliancheng for and on behalf of Mr. Zhou, and the Vendor is therefore a connected person of the Company. Therefore, the Acquisition and the issue of Consideration Shares and the Convertible Bond constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In addition, the Consideration Shares and the Conversion Shares will be issued under the Specific Mandates which are subject to Independent Shareholders' approval at the EGM.

The issue of the Consideration Shares and the Conversion Shares will result in a theoretical dilution effect of approximately 7.8%, which is below the 25% threshold as specified under Rule 10.44A of the GEM Listing Rules. Therefore, the theoretical dilution impact of the issue of the Consideration Shares and the Conversion Shares is in compliance with Rule 10.44A of the GEM Listing Rules.

GENERAL

Approval by the Board

Mr. Zhou, the chairman and executive Director of the Company, along with his family members, owns 100% of Zhongliancheng, the sole shareholder of the Vendor. Save for Mr. Zhou, as at the date of this announcement, none of the Directors have a material interest in the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates. Accordingly, Mr. Zhou did not vote on the Board resolutions approving the same. Save as disclosed above, none of the other Directors were required to abstain from voting on the Board resolutions approving the same.

Voting at EGM

The EGM will be convened to seek the approval of the Independent Shareholders for the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates.

As at the date of this announcement, Liancheng holds 131,870,000 Domestic Shares of the Company and Liancheng (HK), a 100% subsidiary of Liancheng, holds 1,300,000 H Shares of the Company. Hengtai owns 80% of Liancheng and Mr. Zhou owns 20% of Liancheng. Hengtai is owned as to (i) 58% by Mr. Zhou; (ii) 20% by Mr. Zhou JF, his brother; (iii) 19% by Mr. Zhou YW, the father of Mr. Zhou and Mr. Zhou JF; and (iv) 1% by Mr. Zheng Yi, the cousin of Mr. Zhou and Mr. Zhou JF.

As at the date of this announcement, the Vendor is wholly owned by Zhongliancheng, which is held as to (i) 35% by Mr. Zhou ZL, the son of Mr. Zhou; (ii) 30% by Ms. Jin, the mother of Mr. Zhou and Mr. Zhou JF; (iii) 18% by Mr. Zhou JF, the brother of Mr. Zhou; and (iv) 17% by Ms. Wang Xiang, who holds the equity interests in Zhongliancheng for and on behalf of Mr. Zhou, and the Vendor is therefore a connected person of the Company.

Therefore, Liancheng, Liancheng (HK) and the Vendor are all controlled by Mr. Zhou and/or his family members. Accordingly, Liancheng and Liancheng (HK) are considered to have a material interest in the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates. As such, each of Liancheng, Liancheng (HK) and their respective associates is required to abstain from voting on the resolutions approving the same at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from Liancheng and Liancheng (HK), no other Shareholders are materially interested in the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates who are required to abstain from voting on the resolutions to be proposed for approving the same at the EGM.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates, and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Alpha Financial Group Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things (i) further information on the Acquisition; (ii) financial information on the Target Group; (iii) pro forma financial information of the Enlarged Group; (iv) the recommendations of the Independent Board Committee on the terms of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates; and (vi) other information as required under the GEM Listing Rules with the notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 December 2024 in order to allow sufficient time to prepare the necessary information to be included in the circular.

Shareholders and potential investors should note that completion of the Acquisition and issue of the Consideration Shares and the Convertible Bond is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement therefore may or may not occur. As the Acquisition and the issue of the Consideration Shares and the Convertible Bond may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions will have the following respective meanings:

“Acquisition”	the proposed acquisition of the Target Equity Interest pursuant to the terms and conditions of the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bond
“Business Day(s)”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12: 00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Business Valuation”	business valuation of the Target Equity Interest performed by the Valuer based on market approach
“BVI”	the British Virgin Islands
“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 whose shares are listed on the GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of completion of the registration of industrial and commercial changes (工商變更登記) for the Target Group on which the Completion is to take place under the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being RMB200 million (subject to adjustment)
“Consideration Share(s)”	Shares to be allotted and issued by the Company to the Vendor or its nominee(s) at the Issue Price as settlement of part of the Consideration pursuant to the Sale and Purchase Agreement

“Conversion Price”	RMB1.0 per Conversion Share (subject to adjustments pursuant to the terms and conditions of the Convertible Bond)
“Conversion Share(s)”	new H Share(s) to be issued by the Company upon conversion of the Convertible Bond
“Convertible Bond”	the convertible bond of principal amount of RMB85 million with an initial conversion price of RMB1.0 per Conversion Share to be issued by the Company, as part of the consideration for the Acquisition, to the Vendor or its nominee(s) in accordance with the terms and conditions of the Sale and Purchase Agreement
“COVID-19”	an infectious disease caused by the most recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2), first reported in December 2019
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary shares in the share capital of the Company, with a nominal value of RMB0.1 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 convened for the purpose of considering, and if though fit, approve (i) the Acquisition; (ii) the issue of the Consideration Shares and the Convertible Bond; and (iii) the grant of the Specific Mandates
“Enlarged Group”	the Group as enlarged by the Target Group upon the Completion
“FY2022”	the financial year ended 31 December 2022
“FY2023”	the financial year ended 31 December 2023
“GEM”	The GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the share capital of the Company, with a nominal value of RMB0.1 each, all of which are listed on GEM, and subscribed for and traded in Hong Kong dollar

“Hengtai”	浙江恒泰房地產股份有限公司 (Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.)*, a joint stock limited company incorporated in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, to advise and provide recommendation to the Independent Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates
“Independent Financial Adviser”	Alpha Financial Group Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates
“Independent Shareholders”	Shareholder(s) who are entitled to vote and not required to abstain from voting on the resolutions in the EGM for approving (i) the Acquisition; (ii) the issue of the Consideration Shares and the Convertible Bond; and (iii) the grant of the Specific Mandates
“Independent Third Party”	a third party independent of the Company and the connected persons of the Company
“Issue Price”	RMB1.0 per Consideration Share
“Liancheng”	聯城消防集團股份有限公司 (Liancheng Fire-Fighting Group Company Limited)*, a company established in the PRC and is the controlling shareholder of the Company
“Liancheng (HK)”	Liancheng Fire-Fighting Group (Hong Kong) Company Limited, a limited liability company incorporated in Hong Kong and is the shareholder of the Company
“Long Stop Date”	31 December 2025 (or such later date as the Vendor and the Company may agree in writing)
“Ministry of Emergency Management”	Ministry of Emergency Management of the PRC* (中華人民共和國應急管理部)

“Mr. Zhou”	Mr. Zhou Jinhui (周金輝), the chairman and executive director of the Company
“Mr. Zhou JF”	Mr. Zhou Jinfeng (周金峰), brother of Mr. Zhou and a shareholder of Zhongliancheng and Hengtai
“Mr. Zhou YW”	Mr. Zhou Yongwu (周永梧), father of Mr. Zhou and Mr. Zhou JF and a shareholder of Hengtai
“Mr. Zhou ZL”	Mr. Zhou Zheling (周哲凌), son of Mr. Zhou and a shareholder of Zhongliancheng
“Ms. Jin”	Ms. Jin Xianyue (金仙月), a shareholder of Zhongliancheng and the mother of Mr. Zhou and Mr. Zhou JF
“NFRA”	National Fire and Rescue Administration (國家消防救援局)
“Parties”	the parties to the Sale and Purchase Agreement and “Party” means any of them
“Permit for Operating a Private-run School”	the Permit for Operating a Private-run School (民辦學校辦學許可證)
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macau for the purpose of this announcement
“Private-run Education Law”	the Law of the PRC on the Promotion of Private-run Education (中華人民共和國民辦教育促進法) (as amended from time to time)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 December 2024 entered into between the Company and the Vendor in relation to the acquisition of the Target Equity Interest
“Share(s)”	Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate A”	specific mandate to be granted by the Independent Shareholders at the EGM to allot and issue the Consideration Shares
“Specific Mandate B”	specific mandate to be granted by the Independent Shareholders at the EGM to allot and issue the Conversion Shares
“Specific Mandates”	collectively, Specific Mandate A and Specific Mandate B
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Business and IP Rights”	comprise (i) the business of fire safety training of the Vendor including the assets and liabilities arising from such business as at the Completion Date; and (ii) the intellectual property rights owned by the Vendor in relation to such business including but not limited to patents, software copyrights, written works copyrights, trademarks, domain names and other intellectual property rights developed by the Vendor in the course of conducting fire safety training
“Target Company”	清大東方消防科技集團有限公司 (Qingda Oriental Fire-Fighting Technology Group Co., Ltd)*, a limited liability company incorporated in PRC, a wholly-owned subsidiary of the Vendor
“Target Equity Interest”	the equity interests to be acquired under the Sale and Purchase Agreement which comprises (i) the entire equity interests in the Target Company; and (ii) 10% of the total equity interests in the Target Subsidiaries held by the Vendor
“Target Group”	collectively, the Target Company and the Target Subsidiaries
“Target Subsidiaries”	the non wholly-owned subsidiaries of the Target Company which are incorporated in the PRC with the Vendor being the minority shareholder
“Three-Year Action Plan”	Three-Year Action Plan for Fundamental Improvements for Safety Production (2024–2026) (安全生產治本攻堅三年行動方案 (2024–2026年)) issued by the Work Safety Committee of the State Council of the PRC on 21 January 2024
“Training Institutions”	training institutions with the Target Subsidiaries as the sponsors, with each training institution being registered as a private non-enterprise unit or a limited liability company under the laws of the PRC
“Transitional Period”	the period between the reference date used for the transactions under the Sale and Purchase Agreement (i.e. 31 December 2024) and the Completion Date
“Valuation Date”	30 September 2024
“Valuer”	Flagship Appraisals and Consulting Limited, an Independent Third Party, engaged by the Company for the purpose of the appraisal of the value of the Target Equity Interest

“Vendor”	清大東方教育科技集團有限公司 (Qingda Oriental Education Technology Group Co., Ltd)*, a limited liability company incorporated in PRC
“Zhongliancheng”	中聯城消防科技集團有限公司 (Zhongliancheng Fire-Fighting Technology Group Co., Ltd)*, a limited liability company incorporated in PRC, the sole shareholder of the Vendor
“9M2024”	the nine months ended 30 September 2024
“%”	per cent.

Unless otherwise specified and for illustration purpose only, amounts in RMB have been converted into HK\$ in this announcement based on the exchange rate of RMB0.92320 = HK\$1. Such conversion shall not be construed as representations that amount of such currency may be converted into HK\$ and vice versa at such rates or any other exchange rates.

* For identification purposes only

On behalf of the Board of
Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.
Zhou Jin Hui
Chairman

Hong Kong, 8 December 2024

As at the date of this announcement, the executive Directors are Mr. Zhou Jin Hui, Mr. Shi Hui Xing and Mr. Zhou Guo Ping; and the independent non-executive Directors are Mr. Wang Guo Zhong, Ms. Zhu Yi Juan and Mr. Song Zi Zhang.

This announcement, 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, 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 remain on the “Latest Company Announcements” page of GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.shanghaiqingpu.com.