THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shanghai Qingpu Fire-Fighting Equipment Co., Ltd., you should at once hand this supplemental circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

This supplemental circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*
上海青浦消防器材股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8115)

(1) 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; AND (2) SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

Financial Adviser to the Company

越秀融資
YUEXIU CAPITAL

Independent financial adviser to the Independent Board Committee and Independent Shareholders

首盛資本集團
Alpha Financial Group

Capitalised terms used in this cover will have the same meanings as those defined in the section headed "Definitions" in this supplemental circular.

This supplemental circular should be read in conjunction with the circular of the Company dated 16 May 2025 (the "**Original Circular**"). The AGM of the Company is to be held as originally scheduled at 2/F, Block 4, No. 4621, Jiao Tong Road, PuTuo District, Shanghai, the PRC at 11:00 a.m. on Monday, 30 June 2025.

A letter from the Board is set out on pages 8 to 31 of this supplemental circular. A letter from the Independent Board Committee is set out on pages 32 to 33 of this supplemental circular. A letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 67 of this supplemental circular. The supplemental notice of the AGM dated 30 May 2025 (the "**Supplemental Notice of the AGM**") is set out on pages AGM-1 to AGM-3 of this supplemental circular and a revised form of proxy which contains the additional special resolutions to be proposed at the AGM is also enclosed herewith. Additional resolutions will be proposed at the AGM, particulars of which are set out in this supplemental circular. The original form of proxy attached to the Original Circular is superseded by the revised form of proxy enclosed herewith. To be valid, the revised form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 11:00 a.m. on Friday 27 June 2025. Completion and return of the revised form of proxy will not preclude you from attending and voting at the AGM or at any adjourned meeting thereof in person if you so wish.

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

* *For identification purposes only*

30 May 2025

CHARACTERISTICS OF GEM

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

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

CONTENTS

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

"Acquisition"	the proposed acquisition of the Target Equity Interest pursuant to the terms and conditions of the Sale and Purchase Agreement
"AGM"	the annual general meeting of the Company to be held at 2/F, Block 4, No. 4621, Jiao Tong Road, PuTuo District, Shanghai, the PRC on Monday, 30 June 2025 at 11:00 a.m.
"Articles"	the articles of association of the Company
"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"	the business valuation of the Target Equity Interest performed by the Valuer based on market approach, the report of which is set out in Appendix VI to this supplemental circular
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"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 Shares"	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
"CSRC"	the China Securities Regulatory Commission
"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
"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

"FY2024"	the financial year ended 31 December 2024
"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
"HKSCC"	Hong Kong Securities Clearing Company Limited
"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 AGM 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
"Latest Practicable Date"	23 May 2025, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information contained herein
"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 (周哲淩), 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 supplemental circular
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"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 AGM to allot and issue the Consideration Shares
"Specific Mandate B"	specific mandate to be granted by the Independent Shareholders at the AGM 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"	means, unless the context otherwise requires: (i) in "Letter From the Board", Appendix I and Appendix VII of this supplemental circular (except where reference is made to financial information during FY2022 to FY2024), the Target Company and the Target Subsidiaries only, and does not include the Target Business and IP Rights prior to completion of their transfer to the Target Company, being one of the conditions precedent to the Completion as disclosed under the paragraph headed "Conditions precedent" in the "Letter From the Board" in this supplemental circular; or (ii) in all other sections and appendices of this supplemental circular, the Target Company, the Target Subsidiaries, and the fire safety training business and related intellectual property rights previously carried out and held by the Vendor (i.e. the Target Business and IP Rights), which were under common control during FY2022 to FY2024 and are presented on a common control basis in the financial information
"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"	31 December 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
"%"	per cent

Unless otherwise specified and for illustration purpose only, amounts in RMB have been converted into HK$ in this supplemental circular based on the exchange rate of RMB0.91860 = 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*

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*

上海青浦消防器材股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8115)

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

Independent non-executive Directors:
Mr. Wang Guo Zhong
Ms. Zhu Yi Juan
Mr. Song Zi Zhang

Registered Office:
1988 Jihe Road
Hua Xin Town
Qingpu District, Shanghai
People's Republic of China

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

30 May 2025

To the Shareholders

Dear Sir or Madam,

(1) 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; AND (2) SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 8 December 2024 in relation to, among other things, the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates.

Reference is also made to the Original Circular of the Company dated 16 May 2025. The AGM will be held at 2/F, Block 4, No. 4621, Jiao Tong Road, PuTuo District, Shanghai, the PRC at 11:00 a.m. on Monday, 30 June 2025.

* *For identification purposes only*

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.

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.

The purpose of this supplemental circular is to provide you with, 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) give you a Supplemental Notice of the AGM which contains the additional special resolutions to be proposed at the AGM in relation to the Acquisition.

I. THE SALE AND PURCHASE AGREEMENT

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

Asset 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 the Valuation Date 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 the Valuation Date 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.

According to the business valuation report as set out in Appendix VI to this supplemental circular, the market value of the Target Equity Interest as at the Valuation Date was RMB219 million. Therefore, the Consideration shall be RMB200 million and no adjustment is required.

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.

In view of the above, the Directors (including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee in this supplemental circular) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 special resolutions by the Independent Shareholders at the AGM 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.

As at the Latest Practicable Date, the conditions precedent as set out in (i) has been fulfilled.

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 research and development 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 research and development 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 Latest Practicable Date and the Completion, the Consideration Shares represent (i) approximately 14.9% of the issued share capital of the Company as at the Latest Practicable Date; (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;

(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; and

(iv) a discount of approximately 80.9% to the closing price of HK$5.7 per H Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 (including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee in this supplemental circular) consider that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to Specific Mandate A to be sought for approval from the Independent Shareholders at the AGM. The allotment and issue of the Consideration Shares will not result in a change in control of the Company. 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. 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

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. 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; (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; and (iv) a discount of approximately 80.9% to the closing price of HK$5.7 per H Share as quoted on the Stock Exchange on the Latest Practicable Date. 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.

In accordance with the terms and conditions of the Convertible Bond, the Conversion Price shall be adjusted upon occurrence of the following events:

(a) Issues of any H Shares, convertible bonds, rights issues or any equity securities at any time after the date of issuance of the Convertible Bond at less than the applicable Conversion Price in effect immediately prior to the date of such issuance;

(b) Subdivision or consolidation or reclassification of H Shares;

(c) Capitalisation of profits or reserves; and

(d) Other events or circumstances not referred to in this section but the Company or the Bondholder determines that an adjustment should be made to the Conversion Price.

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 Latest Practicable Date; (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 of the Conversion Bond will not result in a change in control of the Company. 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 the PRC in 2003. As at the Latest Practicable Date, 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 Latest Practicable Date, 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:

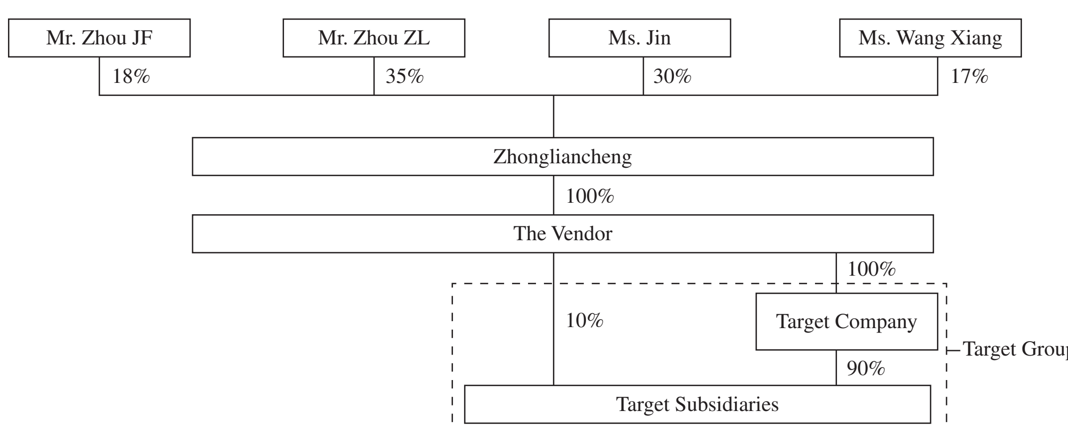
Direct model: The Target Group provides fire safety training services through training institutions which cater to the needs of candidates looking for vocational skills training to qualify as fire facility operators, firefighters, fire safety management personnel, security personnel and staff of critical 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. Before entering into the Sale and Purchase Agreement, 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 audited financial statements of the Target Group, the proportion of income generating from direct model and licensing model for FY2022, FY2023 and FY2024 are set out in the table below:

	FY2022		**FY2023**		**FY2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Income generated from						
Direct model	163,669	99.8	213,306	99.8	226,566	99.8
Licensing model	283	0.2	501	0.2	409	0.2
	163,952	100.0	213,807	100.0	226,975	100.0

The shareholding structure of the Vendor and the Target Group as at the Latest Practicable Date 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 the three financial years ended 31 December 2024, which has been prepared in accordance with the International Financial Reporting Standards.

	FY2022 (Audited) *RMB'000*	FY2023 (Audited) *RMB'000*	FY2024 (Audited) *RMB'000*
Revenue	163,952	213,807	226,975
Net (loss)/profit before taxation	(43,865)	32,134	50,819
Net (loss)/profit after taxation	(44,338)	28,587	49,149

The audited combined net asset value of the Target Group as at 31 December 2024 was approximately RMB44.5 million.

Further details of the financial information of the Target Group are presented in Appendix II to this supplemental circular.

BUSINESS VALUATION

The Consideration was determined and adjusted based on, among others, the valuation that the market value of the Target Equity Interest as at the Valuation Date was RMB219 million, as appraised by the Valuer under the market approach.

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 Board considers that the Comparable Companies adopted by the Valuer are fair and representative, taking into account their listing status in open and established market (which all the Comparable Companies are listed in the PRC or Hong Kong stock exchanges) and their substantial operations in training and vocational education services, which is consistent with the Target Group's principal business.

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. Negative pricing multiples are not meaningful and, therefore, were excluded from this analysis. Comparable Companies with extreme outlines were also excluded. Based on the above, the Valuer identified outliers and excluded them from calculating the median EV/EBIT ratio of 5.37 times and the median P/E ratio of 4.30 times, which were adopted in the Business Valuation.

The Valuer adopted the audited earnings before interest and tax ("**EBIT**") and audited net profits in the Business Valuation. The audited twelve-month EBIT and net profits of the Target Group as at the Valuation Date were approximately RMB55.4 million and RMB49.2 million. 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 RMB187.7 million to RMB250.5 million, with an average of RMB219.1 million. Therefore, the market value of the Target Equity Interest as at the Valuation Date was RMB219 million.

Having considered the above, the Directors concur with the valuation methodology and multiples adopted and the Comparable Companies selected by the Valuer, and are of the view that the Business Valuation is fair and reasonable.

Further details of the Business Valuation are presented in Appendix VI to this supplemental circular.

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 Latest Practicable Date; (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 Latest Practicable Date			After the Completion			After the Completion and immediately upon full conversion of the Convertible Bond[Note (1)]		
	Number of Shares	Approximate Percentage of the total Shares of all classes in issue	Approximate Percentage of the total H Shares in issue	Number of Shares	Approximate Percentage of the total Shares of all classes in issue	Approximate Percentage of the total H Shares in issue	Number of Shares	Approximate Percentage of the total Shares of all classes in issue	Approximate Percentage of the total H Shares in issue
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	131,870,000	70.4%	—	131,870,000	61.2%	—	131,870,000	43.9%	—
Total Shares	187,430,000	100.0%	—	215,430,000	100%	—	300,430,000	100%	—

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 nine months ended 30 September 2024, 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. According to the accountants' report of the Target Group as set out in Appendix II to this supplemental circular, the Target Group recorded a revenue of approximately RMB213.8 million in FY2023, representing an increase of approximately 30.4% from approximately RMB164.0 million in FY2022. In FY2024, the Target Group's revenue further increased to RMB227.0 million, representing an increase of approximately 6.2%, reflecting a steady growth trend. 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.

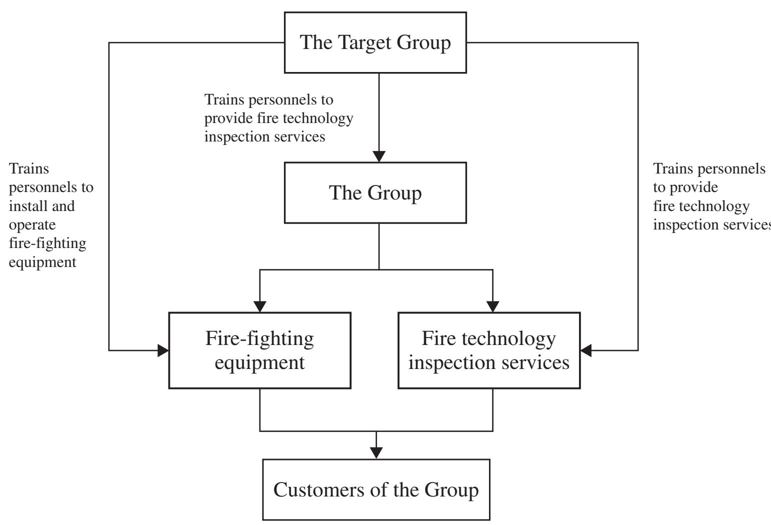
The Directors are confident that the business of the Group and the Target Group are complementary businesses that will generate synergistic benefits. Currently, the Group is principally conducting the sales of fire-fighting equipment and providing fire-fighting inspection services in Shanghai. Through 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 supplemental circular 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 FY2024, 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 (including the independent non-executive Directors) 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.

FINANCIAL EFFECTS OF THE ACQUISITION

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.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this supplemental circular, the consolidated total assets and total liabilities of the Group as at 31 December 2024 were approximately RMB202.4 million and RMB28.5 million respectively. The unaudited consolidated total assets and total liabilities of the Enlarged Group as at 31 December 2024 would be approximately RMB684.5 million and RMB218.5 million respectively as if the Acquisition had taken place on 31 December 2024.

Earnings

The net profit attributable to owners of the Company for FY2024 amounted to approximately RMB4.4 million based on the annual report of the Company for the year ended 31 December 2024. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this supplemental circular, assuming the Acquisition had been completed 1 January 2024, the unaudited net profit attributable to owners of the Company for FY2024 would have increased to approximately RMB38.6 million.

Further details of the financial effect of the Acquisition together with the bases and assumptions taken into account in preparing such unaudited pro forma financial information of the Enlarged Group are set out in Appendix IV to this supplemental circular.

FILINGS WITH THE REGULATORY AUTHORITIES IN THE PRC

After the Consideration Shares and the Convertible Bond are issued, the Company will file with the regulatory authorities in the PRC in accordance with the relevant applicable laws and regulations, including the filing with the CSRC.

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 AGM.

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 Latest Practicable Date, 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 AGM

Since the original notice of AGM as set out in the Original Circular (the "**Notice of AGM**") and the original form of proxy do not contain the proposed special resolutions in relation to the Acquisition, a Supplemental Notice of the AGM has been set out on pages AGM-1 to AGM-3 of this supplemental circular, and a revised form of proxy has been prepared and is enclosed with this supplemental circular. The resolutions, which are originally scheduled to be submitted to the AGM for approval as contained in the Notice of AGM, remain unchanged. The revised form of proxy of AGM (the "**Revised Form of Proxy of AGM**") has been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.shanghaiqingpu.com) on 30 May 2025.

As at the Latest Practicable Date, Liancheng holds 131,870,000 Domestic Shares of the Company, representing approximately 70.4% of the issued share capital of the Company and Liancheng (HK), a 100% subsidiary of Liancheng, holds 1,300,000 H Shares of the Company, representing approximately 0.7% of the issued share capital 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 Latest Practicable Date, 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, holding approximately 71.1% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date (i.e. 133,170,000 Shares in aggregate), is required to abstain from voting on the resolutions approving the same at the AGM.

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 AGM.

The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

IMPORTANT NOTICE: The Revised Form of Proxy of AGM shall supersede the form of proxy of AGM published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.shanghaiqingpu.com) on 16 May 2025 (the "Original Form of Proxy of AGM"). Shareholders who have duly completed and returned the Original Form of Proxy of AGM shall note that the Original Form of Proxy of AGM is no longer applicable to the AGM.

A reply slip for use at the AGM has been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.shanghaiqingpu.com) on 16 May 2025. Shareholders who intend to attend the AGM should complete and return the reply slip in accordance with the instructions printed thereon on or before 9 June 2025. Shareholders who intend to appoint a proxy to attend the AGM and to vote on the resolutions set out in the Notice of AGM and the Supplemental Notice of the AGM are requested to complete and return the Revised Form of Proxy of AGM in accordance with the instructions printed thereon no later than 11:00 a.m. on Friday 27 June 2025. Completion and return of the Revised Form of Proxy of AGM will not prevent you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

For particulars of other resolutions proposed at the AGM, eligibility for attending the AGM, registration procedures for attending the AGM, closure of register of members and other matters regarding the AGM, please refer to the Original Circular and the Notice of AGM.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the shareholders at a general meeting of the Company must be taken by way of poll. Accordingly, the resolutions to be considered and, if thought fit, approved at the AGM will be voted by way of a poll by the shareholders. The Company will make an announcement to publish the results of the poll voting after the AGM.

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.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 32 to 33 of this supplemental circular and the letter from the Independent Financial Adviser on pages 34 to 67 of this supplemental circular which contains their advice 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 as well as the principal factors and reasons taken into consideration in arriving at their advice.

The Directors consider that the Acquisition and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the additional special resolutions to be proposed at the AGM to approve (i) the Acquisition; (ii) the issue of the Consideration Shares and the Convertible Bond; and (iii) the grant of the Specific Mandates. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the additional special resolutions to be proposed at the AGM.

ADDITIONAL INFORMATION

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

Shareholders and potential investors should note that completion of the Acquisition 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 may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

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

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this supplemental circular.

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)

30 May 2025

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the supplemental circular dated 30 May 2025 of the Company (the "**Supplemental Circular**") of which this letter forms part. Terms defined in the Supplemental Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, 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 or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered, among other things, the principal factors and reasons underlying the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates, and the advice of the Independent Financial Adviser as set out on pages 34 to 67 of the Supplemental Circular, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and although the Acquisition is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

* *For identification purposes only*

Accordingly, we recommend the Independent Shareholders to vote in favour of the special resolutions to be proposed at the AGM to approve (i) the Acquisition; (ii) the issue of the Consideration Shares and the Convertible Bond; and (iii) the grant of the Specific Mandates.

Yours faithfully
Independent Board Committee

Mr. Wang Guo Zhong	**Ms. Zhu Yi Juan**	**Mr. Song Zi Zhang**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Alpha Financial Group Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this supplemental circular.

首盛資本集團
Alpha Financial Group

Alpha Financial Group Limited
Room A, 17/F
Fortune House
61 Connaught Road Central
Central, Hong Kong

30 May 2025

To the Independent Board Committee and the Independent Shareholders of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.

Dear Sirs or Madams,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the supplemental circular dated 30 May 2025 issued by the Company to the Shareholders (the "**Supplemental Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Supplemental Circular unless the context requires otherwise.

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.

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.

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 AGM.

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.

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 Latest Practicable Date, 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.

The AGM 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 Latest Practicable Date, Liancheng holds 131,870,000 Domestic Shares of the Company, representing approximately 70.4% of the issued share capital of the Company, and Liancheng (HK), a 100% subsidiary of Liancheng, holds 1,300,000 H Shares of the Company, representing approximately 0.7% of the issued share capital 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 Latest Practicable Date, 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 AGM.

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 AGM.

The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

INDEPENDENT BOARD COMMITTEE

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. We, Alpha Financial Group Limited, have 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.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Group and its associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence as defined under Rule 17.96 of the GEM Listing Rules. Accordingly, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Supplemental Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of the relevant public information.

We have assumed that all the information provided, and representations and opinions expressed to us or contained or referred to in the Supplemental Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon and continue to be so up to the date of the AGM. We have also assumed that all statements contained and representations made or referred to in the Supplemental Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and continue to be so up to the date of the AGM and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Supplemental Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Supplemental Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the AGM. Independent Shareholders will be informed of any material change of information and the representations made or referred to in the Supplemental Circular as soon as possible up to the date of the AGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Supplemental Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates and pursuant to Rule 17.92(2) of the GEM Listing Rules, we have obtained and reviewed the relevant information in relation to the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates, among others, (i) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); (ii) the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**"); (iii) the announcement of the Company dated 8 December 2024 in relation to, among other things, the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates (the "**Announcement**"); (iv) the Sale and Purchase Agreement; (v) the report of the Business Valuation, as set out in Appendix VI to the Supplemental Circular; (vi) the independent assurances reports from Forvis Mazars CPA Limited, as set out in Appendices II and IV to the Supplemental Circular; and (vii) the information set out in the Supplemental Circular.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Supplemental Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Supplemental Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made, or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates and, except for its inclusion in the Supplemental Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1 Background and Financial Information

A. Information on the Group

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.

B. Financial Information of the Group

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 December 2022, 2023 and 2024 ("**FY2022**", "**FY2023**" and "**FY2024**", respectively) as extracted from the 2023 Annual Report and the 2024 Annual Report:

	FY2022 *RMB'000* (audited)	**FY2023** *RMB'000* (audited)	**FY2024** *RMB'000* (audited)
Revenue	62,198	74,137	84,460
Cost of sales	(45,289)	(52,587)	(59,392)
Gross profit	16,909	21,550	25,068
Profit for the year attributable to owners of the Company	5,586	8,521	4,350

	As at 31 December 2022 *RMB'000* (audited)	**As at 31 December 2023** *RMB'000* (audited)	**As at 31 December 2024** *RMB'000* (audited)
Non-current assets	29,541	26,878	23,752
Current assets	151,808	167,036	178,674
Total assets	181,349	193,914	202,426
Non-current liabilities	16,856	16,915	14,684
Current liabilities	14,386	13,975	13,799
Total liabilities	31,242	30,890	28,483
Cash and cash equivalents	129,640	143,391	148,426
Net current assets	137,422	153,061	164,875
Equity attributable to owners of the Company	149,479	145,212	150,540

FY2024 vs FY2023

For FY2024, the Group's revenue amounted to approximately RMB84.5 million (FY2023: RMB74.1 million), representing an increase of approximately RMB10.3 million or approximately 13.9%, and the gross profit of the Group was approximately RMB25.1 million (FY2023: RMB21.6 million), representing an increase of approximately RMB3.5 million or approximately 16.3%, which was mainly due to the increase in sales of aquarium products and marine fire-fighting equipment. The gross profit ratio was approximately 29.7%, which remained stable as compared to approximately 29.1% for FY2023.

For FY2024, the profit for the year attributable to owners of the Company was approximately RMB4.4 million (FY2023: RMB8.5 million), representing a decrease of approximately RMB4.2 million or approximately 48.9%, which was primarily attributable to the impairment of goodwill related to the marine fire-fighting equipment cash-generating unit. This goodwill was originated from the acquisition of Shanghai An Hang in 2016 and represents the excess of the purchase price over the fair value of the acquired net assets.

As at 31 December 2024, the Group recorded cash and cash equivalents amounting to approximately RMB148.4 million (31 December 2023: RMB143.4 million), total liabilities amounted to approximately RMB28.7 million (31 December 2023: RMB30.9 million), total equity amounted to approximately RMB173.9 million (31 December 2023: RMB163.0 million) and the net current assets value amounting to approximately RMB164.9 million (31 December 2023: RMB153.1 million). The Group's gearing ratio as at 31 December 2024 of approximately 16.4%, which is expressed as a percentage of the total liabilities divided by the total equity, slightly decreased as compared to approximately 18.9% as at 31 December 2023, which reflects improved financial stability, was due to the increase in trade and bills receivables and cash and cash equivalents over the period.

FY2023 vs FY2022

For FY2023, the Group's revenue amounted to approximately RMB74.1 million (FY2022: RMB62.2 million), representing an increase of approximately RMB11.9 million or approximately 19.2%, and the gross profit of the Group was approximately RMB21.6 million (FY2022: RMB16.9 million), representing an increase of approximately RMB4.6 million or approximately 27.4%, which was mainly due to the increase in sales of pressure vessels, aquarium products and marine fire-fighting equipment as Shanghai City, where the office and factories of the Group are located, was under mandatory lockdown during April 2022 to June 2022, which led to lower sales for the year ended 31 December 2022. The gross profit ratio was approximately 29.1%, which is stable comparing to approximately 27.2% for FY2022.

For FY2023, the profit for the year attributable to owners of the Company was approximately RMB8.5 million (FY2022: RMB5.6 million), representing an increase of approximately RMB2.9 million or approximately 52.6%, which was primarily attributable to the increase in revenue during the same period.

As at 31 December 2023, the Group recorded cash and cash equivalents amounting to approximately RMB143.4 million (31 December 2022: RMB129.6 million), total liabilities amounted to approximately RMB30.9 million (31 December 2022: RMB31.2 million), total equity amounted to approximately RMB163.0 million (31 December 2022: RMB150.1 million) and the net current assets value amounting to approximately RMB153.1 million (31 December 2022: RMB137.4 million). The

Group's gearing ratio as at 31 December 2023 of approximately 18.9%, which is expressed as a percentage of the total liabilities divided by the total equity, remained stable as compared to approximately 20.8% as at 31 December 2022.

C. 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.

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. Before entering into the Sale and Purchase Agreement, 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 audited financial statements of the Target Group, the proportion of income generating from direct model and licensing model for FY2022, FY2023 and FY2024 are set out in the table below:

	FY2022		FY2023		FY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Income generated from						
— Direct model	163,669	99.8	213,306	99.8	226,556	99.8
— Licensing model	283	0.2	501	0.2	409	0.2
	163,952	100.0	213,807	100.0	226,975	100.0

For further details of the Target Group, please refer to the paragraphs headed "INFORMATION OF THE TARGET GROUP" in the Letter from the Board.

D. Financial Information of the Target Group

Set out below is a summary of the key combined financial information of the Target Group for the three financial years ended 31 December 2024, which has been prepared in accordance with the International Financial Reporting Standards.

	FY2022	FY2023	FY2024
	RMB'000	RMB'000	RMB'000
Revenue	163,952	213,807	226,975
Net (loss)/profit before taxation	(43,865)	32,134	50,819
Net (loss)/profit after taxation	(44,338)	28,587	49,149

The audited combined net asset value of the Target Group as at 31 December 2024 was approximately RMB44.5 million. Pursuant to the Valuation Report prepared by the Valuer, the appraised value for the Target Group as at the Valuation Date was RMB219 million, as appraised by the Valuer under the market approach.

Please refer to Appendix II to the Supplemental Circular for the accountant's report on historical financial information of the Target Group and Appendix VI to the Supplemental Circular for the report of the Business Valuation.

E. Information of the Vendor

The Vendor is a limited liability company incorporated in the PRC in 2003. As at the Latest Practicable Date, 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 Latest Practicable Date, 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.

For further details of the Vendor, please refer to the section headed "INFORMATION OF THE VENDOR" in the Letter from the Board.

2 The Sale and Purchase Agreement

A. Background of the Sale and Purchase Agreement

As disclosed in the Letter from the Board, 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.

Asset 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 the Valuation Date 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 the Valuation Date 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.

According to the business valuation report as set out in Appendix VI to the Supplemental Circular, the market value of the Target Equity Interest as at the Valuation Date was RMB219 million. Therefore, the Consideration shall be RMB200 million and no adjustment is required.

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 special resolutions by the Independent Shareholders at the AGM 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.

As at the Latest Practicable Date, the conditions precedent as set out in (i) has been fulfilled.

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 research and development 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 research and development 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.

B. 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 Latest Practicable Date and the Completion, the Consideration Shares represent (i) approximately 14.9% of the issued share capital of the Company as at the Latest Practicable Date; (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;

(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; and

(iv) a discount of approximately 80.9% to the closing price of HK$5.7 per H Share as quoted on the Stock Exchange on the Latest Practicable Date.

According to the Letter from the Board, 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 (including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee in the Supplemental Circular) consider that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to Specific Mandate A to be sought for approval from the Independent Shareholders at the AGM. The allotment and issue of the Consideration Shares will not result in a change in control of the Company. 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. An application will be made to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares.

C. Issue of the Convertible Bond under Specific Mandate B

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.

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;

(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; and

(iv) a discount of approximately 80.9% to the closing price of HK$5.7 per H Share as quoted on the Stock Exchange on the Latest Practicable Date.

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.

In accordance with the terms and conditions of the Convertible Bond, the Conversion Price shall be adjusted upon occurrence of the following events:

(a) Issues of any H Shares, convertible bonds, rights issues or any equity securities at any time after the date of issuance of the Convertible Bond at less than the applicable Conversion Price in effect immediately prior to the date of such issuance;

(b) Subdivision or consolidation or reclassification of H Shares;

(c) Capitalisation of profits or reserves; and

(d) Other events or circumstances not referred to in this section but the Company or the Bondholder determines that an adjustment should be made to the Conversion Price.

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 Latest Practicable Date; (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 of the Conversion Bond will not result in a change in control of the Company. 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.

3 Reasons for and Benefits of the Acquisition

As disclosed in the Letter from the Board, 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, and 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.

We understood from the Management that 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. According to the Directors, 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. With reference to the Letter from the Board, the Acquisition is a natural industry extension for the Group and 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.

We also understood from the Directors 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 as 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 driven by 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, and 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.

Accordingly, and with reference to the financial effects of the Acquisition as detailed in this letter below, we concur with the view of the Directors (including the independent non-executive Directors) that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as the business of the Target Group is complementary to the existing business of the Group, which presents an opportunity for the Group to generate synergies with.

4 Evaluation on the Principal Terms

4.1 Determination of the Consideration

With reference to the Letter from the Board, pursuant to the Sale and Purchase Agreement, the Consideration for the Acquisition is RMB200 million (subject to adjustment) and 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 the Valuation Date 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 the Valuation Date 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.

According to the business valuation report prepared by the Valuer, the market value of the Target Equity Interest as at the Valuation Date was RMB219 million. Therefore, the Consideration shall be RMB200 million and no adjustment is required. For details of the valuation, please refer to the valuation report as set out in Appendix VI to the Supplemental Circular.

In assessing the fairness and reasonableness of the Business Valuation, we have considered the followings:

We have reviewed and discussed with the Valuer, the methodology of, and basis and assumptions adopted for in arriving at the valuation as set out in Appendix VI to the Supplemental Circular. The general valuation assumptions adopted in the Business Valuation are as follows:

(a) there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in China;

(b) there will be no significant deviation in the industry trend and market condition from the current market expectation;

(c) there will be no major change in the current taxation law in China and the countries of origin of the comparable companies;

(d) the Target Group finished restructuring as at the Valuation Date; and

(e) all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing, and no additional costs or fees are needed to procure such during the application.

We understand that the historical financial information presented in the accountant's report as set out in Appendix II to the Supplemental Circular has been prepared as if the current group structure (i.e. the equity interests of the Target Subsidiaries are 90% and 10% held by the Target Company and the Vendor, respectively) had been in existence and the Target Group had always been operating the Fire Safety Training Business throughout the track record period. Accordingly, the financial information that was adopted in the Business Valuation has been prepared as if the Target Group finished restructuring as at the Valuation Date.

Accordingly, we are of the view that the assumption made in arriving at the Business Valuation that the Target Group finished restructuring as at the Valuation Date is in line with the financial information as prepared in the accountant's report as set out in Appendix II to the Supplemental Circular. As such, we are of the view that such assumption made in arriving at the Business Valuation is appropriate.

We have also discussed with the Valuer as to its expertise, previous valuation experiences, scope of work and valuation procedures conducted. We also understand that, in valuing the business, the Valuer followed requirements contained in the International Valuation Standards. During our discussions with the Valuer, we understand that the Valuer has solely considered the fire safety training business of the Target Group and the intellectual property rights in relation to the fire safety training business, which forms the Target Business and IP Rights, in arriving at the Business Valuation, which is in line with the financial information presented in the accountant's report as set out in Appendix II to the Supplemental Circular.

The Valuer confirmed its independence on the relationship with the Group and other parties to the Sale and Purchase Agreement and we have obtained and reviewed the engagement letter entered into between the Valuer and the Company. We understand that the personnel-in-charge of the Business Valuation is a Charterholder of Chartered Financial Analyst (CFA), an International Certified Valuation Specialist (ICVS) — a professional credential in business valuation issued by the International Association of Certified Valuation Specialists (IACVS), served on the Continuous Education Committee of the IACVS Hong Kong Chapter and has over 15 years' of experience in business valuation.

We have also conducted discussions with the Valuer to understand its previous experiences on business valuation projects, the methodologies, basis and assumptions they have adopted in the valuation report as well as the steps and measures taken by the Valuer in conducting such valuation. In addition, we also note that the Valuer has reviewed the audited statements of financial position of the Target Group as at 31 December 2024, prepared in accordance with the International Financial Reporting Standards, in arriving at the Business Valuation. We also understand from the Valuer that it has made relevant enquiries for preparing such valuation report and no irregularities were noted during the course.

Based on the above, we are satisfied that the Valuer is qualified for giving its opinion as set out in the Valuation Report taken into account its relevant experience and expertise, its independence, and its scope of work and valuation procedures conducted and the terms and scope of the engagement between the Company and the Valuer are appropriate to the opinion the Valuer is required to give.

We noted that the Valuer considered the application of three common approaches used to estimate the value of the Target Equity Interest, namely (i) the asset approach, (ii) the market approach and (iii) the income approach. We understand the Valuer did not consider the asset approach to be an appropriate valuation methodology due to the reasons that it does not reflect the future operational potential of the Target Group and asset approach does not reflect the value of the intangible assets generated by the Target Group during operations. We also understand the Valuer rejected the application of the income approach due to the significant fluctuations of the Target Group's business performance during the analysis period, which included the period affected by COVID-19, making it difficult to derive a reliable financial forecast.

Accordingly, the Business Valuation has been carried out on the market approach, which 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. We noted the Valuer has 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. 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 taken into account of the Target Business and IP Rights.

We have reviewed the methodology and basis and assumptions adopted by the Valuer in arriving at the Business Valuation. The Valuer noted that such approach is a common valuation methodology and we have also reviewed similar valuations conducted by other listed companies on the Stock Exchange and noted that such approach is commonly adopted. Accordingly, we concur with the Valuer in adopting such market approach for the purposes of the Business Valuation.

Based on our review of the work done by the Valuer, including our discussion with the Valuer understanding the basis and assumptions adopted, we are of the view that the valuation result, including the basis and assumptions adopted in arriving at the Business Valuation, is fair and reasonable. We were not aware of any irregularities during our discussion with the Valuer or in our review of its qualification and works, which included our review of the calculations and the comparables selected by the Valuer in arriving at the Business Valuation.

In assessing the fairness and representativeness of the comparables selected by the Valuer, we have discussed with the Valuer on the selection criteria in identifying the comparables. We are given to understand that the comparables selected by the Valuer are companies (i) listed on stock exchanges in the PRC or Hong Kong; and (ii) primarily engaged 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. Considering the Target Subsidiaries are principally engaged in the provision of fire safety training services in the PRC, which is considered part of high-level vocational education and training industry that the selection criteria represents. In view of the above, we consider that the selection criteria adopted by the Valuer in identifying the comparables in arriving at the Business Valuation are appropriate. During our review, which includes review of the latest financial information of the comparables, we did not note any information which would cause us to doubt the accuracy and completeness of the information in respect of the comparables set out in the Business Valuation. We also noted that certain comparables were excluded from the analysis due to (i) negative pricing comparables; and (ii) outlier with extreme value identified by Tukey's fences. Based on our review on the comparables selected by the Valuer in arriving at the Business Valuation, we are of the view that the comparables fit the selection criteria and are fair and representative.

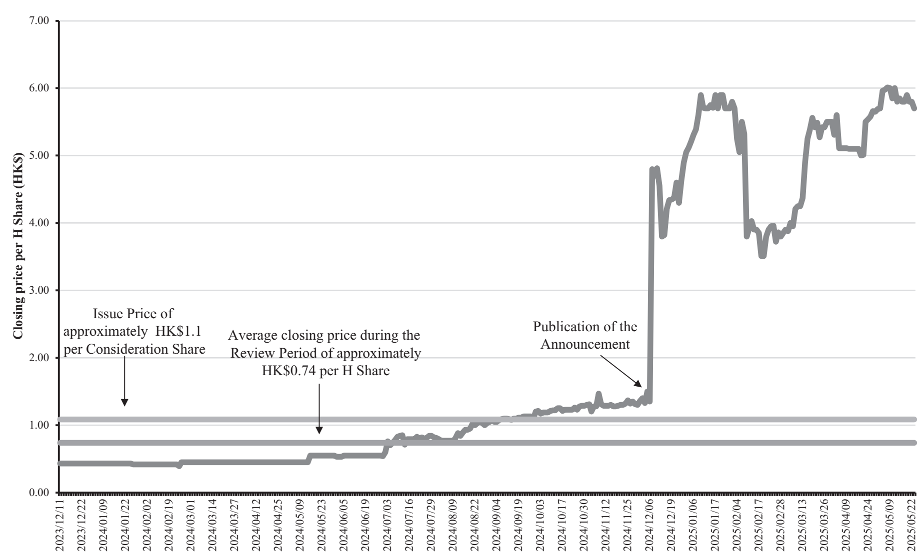
Accordingly, considering that (i) the Consideration of RMB200 million represents a discount of approximately 8.7% to the market value of the Target Equity Interest as at the Valuation Date; and (ii) the reasons for and benefits of entering into the Sale and Purchase Agreement as analysed above, we concur with the view of the Directors (including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee in the Supplemental Circular) that the Consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

4.2 Issue of the Consideration Shares under Specific Mandate A

With reference to the paragraphs headed "B. ISSUE OF THE CONSIDERATION SHARES UNDER SPECIFIC MANDATE A" in this letter, in assessing the fairness and reasonableness of the Issue Price, we have primarily made references to, among others, (i) the historical market prices of the H Shares; (ii) the historical trading liquidity of the H Shares; and (iii) the comparison with other comparable transactions in the market, details of which are set out below respectively.

(i) Analysis on the historical market prices of the H Shares

In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing price of the H Shares as quoted on GEM for the Review Period. We consider that the Review Period which covers a full year prior to and including the date of the Sale and Purchase Agreement represents a reasonable and sufficient period to provide a general overview of the recent price performance of the H Shares. The chart below shows the daily closing prices of the H Shares as quoted on GEM from 11 December 2023 to 8 December 2024, being the 12-month period prior to and including the date of the Sale and Purchase Agreement (the "**Review Period**"), and up to and including the Latest Practicable Date.



Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the closing prices of the H Shares were between a low of HK$0.39 per H Share on 23 February 2024 and a high of HK$1.5 per H Share on 5 December 2024, with an average closing price of approximately HK$0.74 per H Share.

The closing prices of the H Shares remained relatively stable around HK$0.40 to HK$0.55 per H Share from the beginning of the Review Period until the end of June 2024. Subsequently, since the spike in closing price of the H Shares in early July 2024 reaching up to HK$0.85 per H Share on 11 July 2024, the closing price of the H Shares exhibited a generally upward trend until the date of the Sales and Purchase Agreement. We have enquired the Management regarding the increase of the closing price of the H Shares in July 2024 and were advised that, they are not aware of any particular reason that may lead to the aforesaid increase.

We note that the Issue Price of RMB1.0 (equivalent to approximately HK$1.1) per Consideration Share is within the range of the daily closing prices of the H Shares during the Review Period, and the closing price of the H Shares were below the Issue Price for 183 out of 244 trading days during the Review Period. The Issue Price represents a discount of 19.4% to the closing price of HK$1.35 per H Share as quoted on GEM on the trading day immediately prior to the date of the Sale and Purchase Agreement and a premium of approximately 47.2% over the average closing price of approximately HK$0.74 per H Share during the Review Period. On balance, we are of the view that the Issue Price is fair and reasonable from a historical market prices standpoint.

During the period from 9 December 2024 (being the first trading day after the publication of the Announcement) up to and including the Latest Practicable Date (the "**Post-Announcement Period**"), the Share Price immediately experienced a surge in closing price on 9 December 2024 to HK$4.8 per H Share. The closing price of the H Shares then fluctuated between a low of HK$3.8 per H Share on 13 December 2024 to HK$5.9 per H Share on 9, 17, 21 and 22 January 2025, until early February 2025. After that, the closing price of the H Shares then fluctuated between HK$3.51 and HK$4.37 per H Share from 10 February 2025 to 13 March 2025, and subsequently traded within the range of HK$4.9 and HK$6.01 per H Share up to the Latest Practicable Date.

We believe that the aforesaid spike in closing prices of the H Shares in the Post-Announcement Period as compared to the share prices during the Review Period was likely linked to the market reaction to the Announcement, which might be temporary and unsustainable.

(ii) Analysis on the historical trading liquidity of the H Shares

Set out below is the table showing the daily trading volumes of the H Shares on GEM during the Review Period:

Month/Period	No. of trading days	Average daily number of trading volume	% of total issued Shares *(Note)*	% of total issued H Shares *(Note)*
Dec 2023 (from 11 December 2023)	13	0	0.0000%	0.0000%
Jan 2024	22	0	0.0000%	0.0000%
Feb 2024	19	4,000	0.0021%	0.0072%
Mar 2024	20	0	0.0000%	0.0000%
Apr 2024	20	0	0.0000%	0.0000%
May 2024	21	4,952	0.0026%	0.0089%
Jun 2024	19	1,895	0.0010%	0.0034%
Jul 2024	22	40,091	0.0214%	0.0722%
Aug 2024	22	17,455	0.0093%	0.0314%
Sep 2024	19	17,684	0.0094%	0.0318%
Oct 2024	21	32,048	0.0171%	0.0577%
Nov 2024	21	26,524	0.0142%	0.0477%
Dec 2024 (up to and including the date of the Sale and Purchase Agreement)	5	12,800	0.0068%	0.0230%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: Calculated based on average daily trading volume over the month/period divided by the total number of shares at each month/period end according to the monthly returns filed by the Company.

During the Review Period, the Company had in issue a total of 187,430,000 Shares, including 131,870,000 Domestic Shares and 55,560,000 H Shares.

The average daily trading volume of the H Shares on GEM amounted to approximately 12,754 H Shares (equivalent to approximately 3.2 board lots) during the Review Period, representing approximately 0.01% in terms percentage to the total number of issued Shares and approximately 0.02% in terms of percentage to the total number of issued H Shares, respectively.

There are only 20 out of 244 trading days during the Review Period which recorded trading volume of more than 40,000 H Shares (i.e. 10 board lots). This indicates that the liquidity of the H Shares had been thin during the Review Period.

During the Post-Announcement Period, the average daily trading volume of the H shares on GEM amounted to approximately 101,727 H Shares (equivalent to approximately 25.4 board lots), representing approximately 0.05% in terms percentage to the total number of issued Shares and approximately 0.18% in terms of percentage to the total number of issued H Shares, respectively. We are of the view that the increase in liquidity of the H Shares as compared to the Review Period was likely linked to the market reaction to the Announcement, which might be temporary and unsustainable.

(iii) Comparison with other comparable transactions

In assessing the fairness and reasonableness of the Issue Price, we have also made reference to other comparable acquisitions involving issue of consideration shares as initially announced by companies listed on GEM during the Review Period, excluding those issues involving the triggering of general offer obligations or applications for whitewash waiver or share consolidations or corporate restructuring which, in our view are different from the Company's circumstances and the structure of the Acquisition.

We consider that the adopted Review Period is reasonably recent and sufficient for providing a general reference to the market practice for the purpose of our assessment. On a best-effort basis, we have identified an exhaustive list of 8 comparable issues (the "**Comparable Issues**") having met the aforesaid selection criteria. It is worth noting that the underlying issuers of the Comparable Issues may or may not be identical to the Company in terms of principal activities, market capitalisations, profitability, operations and financial positions, and that the circumstances leading to the Comparable Issues to issue shares may differ from that of the Company under the Acquisition, and we consider it to be one of the appropriate bases for assessing the fairness and reasonableness of the Issue Price. Set out below are the details of the Comparable Issues:

Date of initial announcement	Company name (stock code)	Premium/(discount) of issue price over/(to) the closing price on the date of the relevant agreement/ last trading day	Premium/(discount) of the issue price over/(to) the average closing price per share for the last five consecutive trading days up to and including the date of the relevant agreement/the last trading day
22 October 2024	AL Group Limited (8360)	0.0%	0.0%
19 September 2024	Zhongshi Minan Holdings Limited (8283)	(18.6)%	(15.7)%
10 September 2024	Goldway Education Group Limited (8160)	(25.0)%	(8.7)%
17 April 2024	Future Data Group Limited (8229)	(17.6)%	(15.8)%
12 March 2024	K Group Holdings Limited (8475)	(16.8)%	(19.0)%
26 January 2024	Hao Bai International (Cayman) Limited (8431)	(18.2)%	(18.3)%
4 January 2024	China Oral Industry Group Holdings Limited (8406)	9.1%	11.5%
26 December 2023	Zhongshi Minan Holdings Limited (8283)	(18.6)%	(16.4)%
	Minimum	(25.0)%	(19.0)%
	Maximum	9.1%	11.5%
	Average	(13.2)%	(10.3)%
	Median	(17.9)%	(15.8)%
	The Company	(19.8)%	(22.1)%

Source: the HKEXnews website (www.hkexnews.hk)

As illustrated in the table above, the underlying issue prices of 6 out of 8 Comparable Issues were set at a discount to the respective closing prices on the respective dates of the relevant agreements or last trading days. Further, the issue prices of the Comparable Issues represent a range from a maximum discount of approximately 25.0% to a premium of approximately 9.1%, with an average of discount of approximately 13.2% and a median of discount of approximately 17.9%.

Therefore, the discount of the Issue Price to the closing price on the trading day immediately before the date of the Sale and Purchase Agreement of approximately 19.8% is similar to the median and within range of the Comparable Issues.

(iv) Conclusion

Taking into account of (i) the Issue Price presenting a premium of approximately 47.2% over the average closing price of approximately HK$0.74 per H Share and the closing price of the H Shares were below the Issue Price for 183 out of 244 trading days during the Review Period; (ii) the thin trading liquidity of the H Shares during the Review Period; and (iii) the discount of the Issue Price to the closing price on the trading day immediately before the date of the Sale and Purchase Agreement is similar to the median and within range of the Comparable Issues, we concur with the Directors' view (save for the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee in the Supplemental Circular) that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole and is in the interests of the Company and the Shareholders as a whole in this regard.

4.3 Issue of the Convertible Bond under Specific Mandate B

Accordingly, as the Conversion Price is equal to the Issue Price, we consider that the Conversion Price is also fair and reasonable and is in the interests of the Company and the Shareholders as a whole in this regard.

5 Potential Dilution in Public Shareholding Interest

As depicted by the shareholding table under the section headed "Effect on the shareholding structure of the Company after the Completion and immediately upon full conversion of the Convertible Bond" in the Letter from the Board, 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, shareholding interests of other public Shareholders would be diluted from approximately 29.0% as at the Latest Practicable Date to (i) approximately 25.2% immediately after Completion; and (ii) approximately 18.1% immediately upon full conversion of the Convertible Bond.

In view of the (i) reasons for and benefits for the implementing the Acquisition as discussed in the section headed "3. Reasons for and benefits of the Acquisition" of this letter; (ii) the terms of the Acquisition are fair and reasonable; and (iii) the potential financial impacts of the Acquisition on the Group as discussed below, we are of the view that the aforesaid level of dilution to the shareholding interests of the Independent Shareholders are justifiable.

6 Financial Effects of the Acquisition

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.

When assessing the financial impacts of the Acquisition and the transactions contemplated thereunder, we have primarily taken into account the following aspects:

6.1 Earnings

According to the 2024 Annual Report, the Group recorded a profit for the year attributable to owners of the Company of approximately RMB8.5 million and approximately RMB4.4 million for the years ended 31 December 2023 and 2024, respectively. With reference to the accountants' report of the Target Group as set out in Appendix II to the Supplemental Circular, the Target Group recorded audited profit after taxation of approximately RMB28.6 million and approximately RMB49.1 million for the years ended 31 December 2023 and 2024, respectively.

Upon Completion, the entities comprising the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial results of the Enlarged Group. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Supplemental Circular, assuming the Acquisition had been completed 1 January 2024, the unaudited net profit attributable to owners of the Company for FY2024 would have increased to approximately RMB38.6 million. Accordingly, considering the recent profitable track record of the Target Group and the generally justifiable prospect of the Target Company as discussed above, it is expected that the Acquisition will bring positive impacts on the earnings of the Enlarged Group in the future.

6.2 Assets and Liabilities

According to the 2024 Annual Report, total assets and total liabilities of the Group as at 31 December 2024 amounted to approximately RMB202.4 million and approximately RMB28.5 million, respectively, and the net assets of the Group as at 31 December 2024 amounted to approximately RMB173.9 million.

With reference to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Supplemental Circular, assuming Completion had been taken place on 31 December 2024, it is expected that as at 31 December 2024, the total assets of the Group would have increased from approximately RMB202.4 million to approximately RMB684.5 million on a pro forma basis; the total liabilities of the Group would have increased from approximately RMB28.5 million to approximately RMB218.5 million on a pro forma basis; and the net assets of the Group would have increased from approximately RMB173.9 million to approximately RMB466.0 million on a pro forma basis.

Shareholders should note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon the Completion.

OPINION AND RECOMMENDATION

Based on the foregoing, taking into consideration of the above principal factors and reasons, we noted:

(i) the Consideration of RMB200 million represents a discount of approximately 8.7% to the market value of the Target Equity Interest as at the Valuation Date, which in our view is fair and reasonable so far as the Company and the Independent Shareholders are concerned, as discussed in the paragraphs headed "4.1 Determination of the Consideration" in this letter;

(ii) the reasons for and benefits of entering into the Sale and Purchase Agreement, which the business of the Target Group is complementary to the existing business of the Group and presents an opportunity for the Group to generate synergies with, as discussed in the paragraphs headed "3. Reasons for and Benefits of the Acquisition" in this letter;

(iii) the Issue Price represents a premium of approximately 47.2% over the average closing price of approximately HK$0.74 per H Share and the closing price of the H Shares were below the Issue Price for 183 out of 244 trading days during the Review Period, as discussed in the paragraphs headed "4.2 (i) Analysis on the historical market prices of the H Shares" in this letter;

(iv) the thin trading liquidity of the H Shares during the Review Period, as discussed in the paragraphs headed "4.2 (ii) Analysis on the historical trading liquidity of the H Shares" in this letter;

(v) the discount of the Issue Price to the closing price on the trading day immediately before the date of the Sale and Purchase Agreement is similar to the median and within range of the Comparable Issues, as discussed in the paragraphs headed "4.2 (iii) Comparison with other comparable transactions" in this letter; and

(vi) it is expected that the Acquisition will bring positive impacts on the earnings of the Enlarged Group, as discussed in the paragraphs headed "6. Financial Effects of the Acquisition" in this letter.

According, we are of the opinion that, although the Acquisition is not in the ordinary and usual course of business of the Group, 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 so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) proposed at the AGM thereby approving the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates and the transactions contemplated thereunder.

Yours faithfully,	Yours faithfully,
For and on behalf of	For and on behalf of
Alpha Financial Group Limited	**Alpha Financial Group Limited**
Cheng Chi Ming, Andrew	**Irene Ho**
Managing Director	*Vice President*

Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 22 years of experience in the corporate finance industry in Hong Kong.

Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 10 years of experience in the corporate finance industry in Hong Kong.

1. FINANCIAL INFORMATION

Details of the financial information of the Group for the three years ended 31 December 2022, 2023 and 2024 are disclosed in the annual reports of the Company for each of the FY2022, FY2023 and FY2024; together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Stock exchange (http://www.hkex.com.hk) and the website of the Company (www.shanghaiqingpu.com):

The audited consolidated financial statements of the Group for FY2022 are set out on pages 44 to 131 in the annual report for FY2022 of the Company, which was published on 29 March 2023 (available on: https://www1.hkexnews.hk/listedco/listconews/gem/2023/0329/2023032900510.pdf).

The audited consolidated financial statements of the Group for FY2023 are set out on pages 44 to 133 in the annual report for FY2023 of the Company, which was published on 12 April 2024 (available on: https://www1.hkexnews.hk/listedco/listconews/gem/2024/0412/2024041200867.pdf).

The audited consolidated financial statements of the Group for FY2024 are set out on pages 44 to 135 in the annual report for FY2024 of the Company, which was published on 24 April 2024 (available on: https://www1.hkexnews.hk/listedco/listconews/gem/2025/0424/2025042401607.pdf).

2. INDEBTEDNESS STATEMENT

Interest-bearing borrowings

As at the close of business on 31 March 2025, being the latest practicable date for the purpose of preparing this indebtedness statement, the Enlarged Group had outstanding bank and other borrowings of approximately RMB313,000, details of which are set out as follows:

	Effective interest rate	*RMB'000*
Other borrowing:		
Unsecured	10.85%	313

The other borrowing was unsecured and interest bearing.

Amount due to immediate holding company

As at the close of business on 31 March 2025, the Enlarged Group had outstanding amounts due to immediate holding company of approximately RMB906,000, which are unsecured, interest-free and unguaranteed.

Amount due to non-controlling interests

As at the close of business on 31 March 2025, the Enlarged Group had outstanding amounts due to non-controlling interests of approximately RMB41,000, which are unsecured, interest-free and unguaranteed.

Lease liabilities

The Enlarged Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Enlarged Group's incremental borrowing rates. At the close of business on 31 March 2025, the Enlarged Group had lease liabilities amounting to approximately RMB27,685,000.

Contingent liabilities

The Enlarged Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Enlarged Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on our business, financial condition or operating results. Save as disclosed in this supplemental circular, the Enlarged Group had no other material contingent liabilities.

Disclaimers

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities within the Enlarged Group, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade and other payables and contract liabilities) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities as at the close of business on 31 March 2025.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including internally generated funds, and cash flows from operation, the Enlarged Group has sufficient working capital to satisfy its requirements for its normal business for at least 12 months from the date of publication of this supplemental circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group

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.

For FY2024, the Group recorded total revenue of approximately RMB84.5 million, representing an increase of approximately 13.9% as compared to that of approximately RMB74.1 million for FY2023. To build on this growth and enhance profitability, the Company has resolved to discontinue the manufacturing and sale of fire extinguishers, a product within the Group's fire-fighting equipment products segment that has persistently generated losses, with effect from 1 April 2025. This strategic move will allow the Group to focus resources on its thriving operations, including fire technology inspection services and pressure vessels exports, both of which are expected to continue growing steadily. Additionally, the integration of the Target Group will not only strengthen the Group's market position but also create synergies through the combination of equipment, inspection and vocational training. This will enhance the Group's comprehensive service offerings under the "Big Fire Safety" ecosystem, allowing the Group to capitalize on emerging opportunities in the fire safety sector and maximize shareholder value.

The Enlarged 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. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Company upon the Completion.

After the Completion, the Enlarged Group will engage in the existing provision of fire-fighting equipment and inspection services and the provision of fire-safety training services in the PRC. The Acquisition aligns with the growth in the "Big Fire Safety" ecosystem and complements the Group's existing operations. 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. 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. For details, please refer to the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

In the financial aspect, the Acquisition will broaden the revenue base and improve the profitability of the Group.

The following is the text of a report set out on pages II-1 to II-55, received from the Company's reporting accountants, Forvis Mazars CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this supplemental circular.

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Introduction

We report on the historical financial information of Qingda Oriental Fire-Fighting Technology Group Co., Ltd (the "**Target Company**") and its subsidiaries (the "**Target Subsidiaries**") and the fire safety training business carried out by Qingda Oriental Education Technology Group Co., Ltd, the Vendor (defined below) (the Target Company, the Target Subsidiaries and the fire safety training business carried out by Qingda Oriental Education Technology Group Co., Ltd are collectively referred to as the "**Target Group**") set out on pages II-6 to II-55, which comprises the statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024, the combined statements of financial position of the Target Group as at 31 December 2022, 2023 and 2024, and the combined statements of profit or loss, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for each of the three years ended 31 December 2022, 2023 and 2024 (the "**Relevant Periods**"), and material accounting policy information and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-6 to II-55 forms an integral part of this report, which has been prepared for inclusion in the supplemental circular of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "**Company**") dated 30 May 2025 (the "**Supplemental Circular**") in connection with the following proposed acquisitions (collectively the "**Proposed Acquisition**").

(i) the acquisition of the entire equity interest in the Target Company by the Company; and

(ii) the acquisition of 10% equity interest in the Target Subsidiaries by the Company.

Historically, the Target Group's principal business was the provision of fire safety training services (the "**Fire Safety Training Business**") which was carried out by the Target Company, Qingda Oriental Education Technology Group Co., Ltd which is the vendor of the Proposed Acquisition (the "**Vendor**", the Target Company's immediate holding company) and certain subsidiaries of the Target Company and the Vendor which were all under the control of the same ultimate controlling shareholders of the Target Company, namely Mr. Zhou Jinhui, Mr. Zhou Jinfeng, Mr. Zhou Zheling and Ms. Jin Xianyue (the "**Controlling Shareholders**").

During the Relevant Periods, the Vendor also held Other Investments as defined in note 27(ii) to the Historical Financial Information in addition to the Fire Safety Training Business which do not form part of the Target Group's Fire Safety Training Business. As the Historical Financial Information aims to present only the information relevant to the Fire Safety Training Business during the Relevant Periods, the financial position and operating results attributable to the Fire Safety Training Business including those carried out by the Vendor during the Relevant Periods are included in the Historical Financial Information as if they were also carried out by the Target Company and the Target Subsidiaries. For the purpose of this report, the Target Group had segregated the relevant financial information of its Fire Safety Training Business, to the extent practicable, from the historical financial information of the Vendor for the preparation of the Historical Financial Information to be included in this report.

Since the Vendor maintained same bank accounts for both the Fire Safety Training Business as well as the Other Investments, all bank transactions in relation to the Fire Safety Training Business and the Other Investments were processed through the same bank accounts, which cannot be segregated. As a result, the full balances of bank balance and cash of the Vendor (the "**Bank Balances and Cash**") for the Relevant Periods were reflected in this Historical Financial Information throughout the Relevant Periods. The movements and balances of net assets value attributable to, and the cash flows of, the Other Investments together with the paid-up capital of the Vendor and capital injection to the Target Company during the Relevant Periods were reflected as movements and balances of special reserve as deemed equity transactions with the Controlling Shareholders in the combined statements of changes in equity. Such presentation will cease when the Fire Safety Training Business of the Vendor is formally transferred to the Target Company and the Target Subsidiaries.

During the Relevant Periods, the Fire Safety Training Business was carried out by the Target Company, the Vendor, and certain subsidiaries of the Target Company and the Vendor. To rationalise the corporate structures in preparation of the Proposed Acquisition, the Target Company entered into several equity transfer agreements with the Vendor and some of its then subsidiaries (i.e. Target Subsidiaries after the Group Reorganisation) during the Relevant Periods for the acquisitions of equity interests in 43 Target Subsidiaries (the "**Equity Transfer**"). Upon the completion of the Equity Transfer by the end of 2024, the Target Company held 90% of equity interests in these 43 Target Subsidiaries and the remaining 10% of equity interests were held by the Vendor. The Target Company has become the holding company of the Target Group. More details of the Group Reorganisation have been set out in note 2 to the Historical Financial Information. Prior to and after the Group Reorganisation, the Target Company and the 43 Target Subsidiaries were all under common control of the Controlling Shareholders. The control is not transitory and, consequently, there was a continuation of risks and benefits to the Controlling Shareholders. As part of the Group Reorganisation, the Vendor will cease to operate the Fire Safety Training Business and will transfer it to the Target Company. Assets and liabilities of the Fire Safety Training Business to be transferred includes all the rights and obligations, assets (including the intellectual property rights owned by the Vendor including but not limited to patents, software copyrights, written works copyrights, trademarks, domain names and other intellectual property rights developed by the Vendor in relation to the Fire Safety Training Business), debts and liabilities attached to the Fire Safety Training Business carried out by the Vendor, as well as the Bank Balances and Cash as defined and discussed above to the Target Company. As the Target Company, the

Vendor, and certain subsidiaries of the Target Company and the Vendor which carried out the Fire Safety Training Business have been under common control of the Controlling Shareholders throughout the Relevant Periods, the Historical Financial Information has been prepared to present the financial position and operating results of the Fire Safety Training Business throughout the Relevant Periods as a continuation of existing business from the perspective of the Controlling Shareholders. Particular of the principal subsidiaries directly or indirectly held by the Target Company is set out in note 35 to the Historical Financial Information.

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "**Company Directors**") are responsible for the content of the Supplemental Circular in which the Historical Financial Information is included.

The financial statements of the Target Group for the Relevant Periods (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company (the "**Target Company Directors**"). The Target Company Directors are responsible for the preparation of the Historical Financial Information and the Underlying Financial Statements that give a true and fair view in accordance with the basis of presentation set out in note 2 to the Historical Financial Information and IFRS Accounting Standards respectively, and for such internal control as the Target Company Directors determine is necessary to enable the preparation of the Historical Financial Information and the Underlying Financial Statements that are free from material misstatement, whether due to fraud and error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Target Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Target Company Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's and the Target Group's financial position as at 31 December 2022, 2023 and 2024 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of presentation set out in note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to note 2 to the Historical Financial Information concerning the adoption of the going concern basis on which the Historical Financial Information has been prepared. At 31 December 2024, the Target Group had net current liabilities of RMB30,245,000. There is a material uncertainty related to these conditions that may cast significant doubt on the Target Group's ability to continue as a going concern. The validity of the basis depends on the Target Group's future profitable operation. The management of the Target Group has prepared a cash flow forecast covering a period up to 31 December 2025 which demonstrates that the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. The Historical Financial Information does not include any adjustments that would result from a failure to obtain the necessary finance. Our opinion is not modified in respect of this matter.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments to the Historical Financial Statements

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Dividends

No dividends have been paid nor declared by the Target Group in respect of the Relevant Periods.

Audit of combined financial statements

The Underlying Financial Statements on which the Historical Financial Information is based, were prepared by the Target Company Directors in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board and were audited by Forvis Mazars CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Subsequent combined financial statements

No audited combined financial statements of the Target Group have been prepared in respect of any period subsequent to 31 December 2024.

Forvis Mazars CPA Limited
Certified Public Accountants

Hong Kong, 30 May 2025

A. HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6*	163,952	213,807	226,975
Cost of services provided	*7*	(82,224)	(65,131)	(61,817)
Gross profit		81,728	148,676	165,158
Other income and gains	*6*	2,929	7,512	3,670
Selling expenses		(20,632)	(30,595)	(25,712)
Administrative expenses		(67,466)	(73,990)	(73,879)
Research and development costs		(5,020)	(5,990)	(7,850)
Other expenses		(2,804)	(1,373)	(2,827)
Finance costs	*8*	(6,682)	(6,468)	(4,578)
(Provision for) Reversal of expected credit loss ("**ECL**") on trade receivables, contract assets and other receivables, net	*7*	(2,493)	2,852	427
Impairment losses on right-of-use assets and property, plant and equipment	*7*	(23,425)	(8,490)	(3,590)
(Loss) Profit before tax	*7*	(43,865)	32,134	50,819
Income tax expense	*11*	(473)	(3,547)	(1,670)
(Loss) Profit for the year		(44,338)	28,587	49,149
Attributable to:				
Equity shareholders of the Target Company		(44,340)	28,653	49,094
Non-controlling interests		2	(66)	55
(Loss) Profit for the year		(44,338)	28,587	49,149

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
(Loss) Profit for the year	(44,338)	28,587	49,149
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive (loss) income for the year	(44,338)	28,587	49,149
Attributable to:			
Equity shareholders of the Target Company	(44,340)	28,653	49,094
Non-controlling interests	2	(66)	55
Total comprehensive (loss) income for the year	(44,338)	28,587	49,149

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*14*	68,179	73,398	67,890
Right-of-use assets	*15(a)*	25,475	18,389	16,291
Intangible assets	*16*	205	71	—
Deposits paid	*19*	1,773	1,888	1,630
Deposits for purchase of property, plant and equipment	*19*	1,527	1,495	541
Total non-current assets		97,159	95,241	86,352
Current assets				
Inventories	*17*	3,385	3,142	2,410
Trade and bills receivables and contract assets	*18*	24,132	21,745	20,584
Prepayments, deposit and other receivables	*19*	13,936	11,520	9,032
Cash and cash equivalents	*20*	7,567	40,377	14,321
Total current assets		49,020	76,784	46,347
Current liabilities				
Trade payables	*21*	13,656	11,484	13,306
Other payables and accruals	*22*	66,723	67,591	21,598
Contract liabilities	*23*	33,180	38,394	20,780
Lease liabilities	*15(b)*	16,870	17,197	17,880
Interest-bearing borrowing	*24*	—	—	326
Tax payables		1,344	4,884	2,702
Total current liabilities		131,773	139,550	76,592
Net current liabilities		(82,753)	(62,766)	(30,245)
Total assets less current liabilities		14,406	32,475	56,107
Non-current liabilities				
Lease liabilities	*15(b)*	36,361	21,442	11,320
Deferred tax liabilities	*25(b)*	248	249	254
Total non-current liabilities		36,609	21,691	11,574
NET (LIABILITIES) ASSETS		(22,203)	10,784	44,533
EQUITY				
Equity attributable to owners of the Target Company				
Paid-up capital	*26*	15,560	15,560	180,000
Reserves	*27*	(37,762)	(4,709)	(135,455)
		(22,202)	10,851	44,545
Non-controlling interests		(1)	(67)	(12)
TOTAL (DEFICIT) EQUITY		(22,203)	10,784	44,533

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company						
	Paid-up capital *RMB'000* *(note 26)*	Statutory and other surplus reserve *RMB'000* *(note 27(i))*	Special reserve *RMB'000* *(note 27(ii))*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022	15,560	4,721	141,940	(134,941)	27,280	(3)	27,277
Loss for the year and total comprehensive loss for the year	—	—	—	(44,340)	(44,340)	2	(44,338)
Transaction with owners:							
Contributions and distributions							
Movement of the Other Investments *(note 27(ii)(b))*	—	—	(5,142)	—	(5,142)	—	(5,142)
Appropriation for surplus reserve	—	2,682	—	(2,682)	—	—	—
	—	2,682	(5,142)	(2,682)	(5,142)	—	(5,142)
At 31 December 2022	15,560	7,403	136,798	(181,963)	(22,202)	(1)	(22,203)
At 1 January 2023	15,560	7,403	136,798	(181,963)	(22,202)	(1)	(22,203)
Profit for the year and total comprehensive income for the year	—	—	—	28,653	28,653	(66)	28,587
Transaction with owners:							
Contributions and distributions							
Movement of the Other Investments *(note 27(ii)(b))*	—	—	4,400	—	4,400	—	4,400
Appropriation for surplus reserve	—	5,170	—	(5,170)	—	—	—
	—	5,170	4,400	(5,170)	4,400	—	4,400
At 31 December 2023	15,560	12,573	141,198	(158,480)	10,851	(67)	10,784
At 1 January 2024	15,560	12,573	141,198	(158,480)	10,851	(67)	10,784
Profit for the year and total comprehensive income for the year	—	—	—	49,094	49,094	55	49,149
Transaction with owners:							
Contributions and distributions							
Injection of capital *(note 26)*	164,440	—	(164,440)	—	—	—	—
Movement of the Other Investments *(note 27(ii)(b))*	—	—	(15,400)	—	(15,400)	—	(15,400)
Appropriation for surplus reserve	—	4,833	—	(4,833)	—	—	—
	164,440	4,833	(179,840)	(4,833)	(15,400)	—	(15,400)
At 31 December 2024	180,000	17,406	(38,642)	(114,219)	44,545	(12)	44,533

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2022 RMB'000	2023 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss) Profit before tax		(43,865)	32,134	50,819
Adjustments for:				
Finance costs	8	6,682	6,468	4,578
Depreciation of property, plant and equipment	7,14	8,919	7,963	8,436
Depreciation of right-of-use assets	7,15	15,466	10,525	10,069
Impairment losses on right-of-use assets and property, plant and equipment		23,425	8,490	3,590
Amortisation of intangible assets	7,16	235	134	71
Loss on disposal of property, plant and equipment	7	554	81	438
Gain on termination of lease	7	(2,033)	(6,662)	(2,722)
Realised gain arising from financial assets measured at fair value through profit or loss ("**FVPL**")		(36)	(39)	(67)
Interest income	6,7	(79)	(77)	(50)
Provision for (Reversal of) ECL on trade receivables, contract assets and other receivables, net	7	2,493	(2,852)	(427)
		11,761	56,165	74,735
Decrease in inventories		125	243	732
Decrease in trade and bills receivables and contract assets		2,733	5,055	1,513
Decrease in prepayments, deposits and other receivables		2,260	2,517	3,775
(Decrease) Increase in trade payables		(389)	(2,172)	1,822
Increase (Decrease) in other payables and accruals		668	(250)	3,359
Increase (Decrease) in contract liabilities		4,687	5,214	(17,614)
Cash flows from operations		21,845	66,772	68,322
Interest received		79	77	50
Corporate income tax paid		(160)	(6)	(3,847)
Net cash flows from operating activities		21,764	66,843	64,525

		Year ended 31 December		
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(9,641)	(16,532)	(4,348)
Proceeds from disposal of property, plant and equipment		3,256	2,199	686
Purchase of financial assets at FVPL		(27,500)	(47,100)	(102,000)
Proceeds from financial assets at FVPL		38,936	47,139	102,067
Consideration paid for acquisition of subsidiary		—	—	(50,480)
Net cash flows from (used in) investing activities		5,051	(14,294)	(54,075)
CASH FLOWS FROM FINANCING ACTIVITIES				
New interest-bearing borrowing	*28(a)*	—	—	334
Repayment of interest-bearing borrowing	*28(a)*	—	—	(8)
Principal portion of lease payments	*28(a)*	(19,479)	(19,732)	(18,278)
Interest portion of lease payments	*28(a)*	(4,708)	(4,407)	(3,148)
Interest paid	*28(a)*	—	—	(6)
Net cash (outflows) inflows from the Other Investments	*27(ii)(a)*	(5,142)	4,400	(15,400)
Net cash flows used in financing activities		(29,329)	(19,739)	(36,506)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,514)	32,810	(26,056)
Cash and cash equivalents at beginning of year		10,081	7,567	40,377
CASH AND CASH EQUIVALENTS AT END OF YEAR		7,567	40,377	14,321
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*20*	7,567	40,377	14,321

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		At 31 December		
		2022	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment		—	—	27
Interests in subsidiaries	*35*	5,656	4,786	64,811
Total non-current assets		5,656	4,786	64,838
Current assets				
Prepayments, deposit and other receivables		250	250	162
Amount due from immediate holding company	*31(c)*	281	190	46,627
Tax recoverable		—	—	2
Cash and cash equivalents	*20*	—	—	147
Total current assets		531	440	46,938
Current liabilities				
Other payables and accruals		—	—	50
Total current liabilities		—	—	50
Net current assets		531	440	46,888
Total assets less current liabilities		6,187	5,226	111,726
NET ASSETS		6,187	5,226	111,726
EQUITY				
Capital and reserves				
Paid-up capital	*26*	15,560	15,560	180,000
Reserves	*26(a)*	(9,373)	(10,334)	(68,274)
TOTAL EQUITY		6,187	5,226	111,726

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Qingda Oriental Fire-Fighting Technology Group Co., Ltd (the "**Target Company**") is a limited liability company incorporated on 21 February 2017 in the People's Republic of China (the "**PRC**"). The immediate holding company of the Target Company is Qingda Oriental Education Technology Group Co., Ltd ("**Qingda Oriental Education**", the "**Vendor**"), a limited liability company incorporated in the PRC. The ultimate holding company of the Target Company is Zhongliancheng Fire-Fighting Technology Group Co., Ltd ("**Zhongliancheng**"), a limited liability company incorporated in the PRC, which is ultimately held by Mr. Zhou Jinhui, Mr. Zhou Zheling, Ms. Jin Xianyue and Mr. Zhou Jinfeng (the "**Controlling Shareholders**").

The Target Company's registered office is located at Room 205A, 2nd Floor, No. 1219 Zhen Guang Road, Putuo District, Shanghai, the PRC.

The Target Company is an investment holding company. The principal activity of the Target Group (as defined below) is provision of fire safety training services (the "**Fire Safety Training business**") in the PRC covering 30 provinces across the PRC. The principal activities of its subsidiaries (the "**Target Subsidiaries**") are set out as in note 35 to the Historical Financial Information.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Historically, the Fire Safety Training Business was carried out by the Target Company, the Target Subsidiaries, Qingda Oriental Education, which is the vendor of the Proposed Acquisition and certain subsidiaries of Qingda Oriental Education, which are all under the control of the Controlling Shareholders (the Target Company, the Target Subsidiaries and the Fire Safety Training Business carried out by Qingda Oriental Education are collectively referred to as the "**Target Group**").

The Target Group underwent a reorganisation (the "**Group Reorganisation**") which includes the following steps:

(i) Transfer of the 80% equity interests of the Target Subsidiaries (the "Equity Transfer")

During the Relevant Periods, the equity interests of the Target Subsidiaries were held 90% directly or indirectly by Qingda Oriental Education and the remaining 10% by the Target Company. To rationalise the corporate structures in preparation of the proposed acquisitions, the Target Company entered into several equity transfer agreements with Qingda Oriental Education and its then subsidiaries (i.e. Target subsidiaries after the Group Reorganisation) during the Relevant Periods for the acquisitions of equity interests in 43 Target Subsidiaries at considerations of RMB119,601,000 in aggregate. Upon the completion of the Equity Transfers by the end of 2024, the Target Company held 90% of equity interests in these 43 Target Subsidiaries and the remaining 10% of equity interests were held by Qingda Oriental Education.

(ii) Transfer of the Fire Safety Training Business carried out by and certain assets and liabilities of the Vendor to the Target Company (the "Business Transfer")

On 8 December 2024, the Vendor and the Company entered into a sale and purchase agreement that the Vendor agreed to cease to operate the Fire Safety Training Business and transfer all the assets (including the intellectual property rights owned by the Vendor including but not limited to patents, software copyrights, written works copyrights, trademarks, domain names and other intellectual property rights developed by the Vendor in relation to the Fire Safety Training Business), rights, debts, obligations and liabilities attached to the Fire Safety Training Business carried out by the Vendor to the Target Company. The above transfer of the Fire Safety Training Business is expected to be completed on or before 30 June 2025.

Pursuant to the Group Reorganisation as described above, upon completion, the Target Company will become the holding company of the Target Group and succeeded the Fire Safety Training Business from the Vendor. The Target Company, the Target Subsidiaries and the Fire Safety Training Business are under common control of the Controlling Shareholders before and after the Equity Transfers and the Business

Transfer and the control is not transitory. As such, there has been a continuation of risks and benefits to the Controlling Shareholders that existed prior to the Group Reorganisation. Accordingly, the Equity Transfer and the Business Transfer have been accounted for as business combination involving entities under common control using the merger accounting principles. More details of the business combination under common control have been set out in note 3.3 to the Historical Financial Information.

During the Relevant Periods, the Vendor also held Other Investments as defined in note 27(ii) to the Historical Financial Information in addition to the Fire Safety Training Business which do not form part of the Target Group's principal Fire Safety Training Business. No profit or loss were generated by these Other Investments during the Relevant Periods. As the Historical Financial Information aims to present only the information relevant to the Fire Safety Training Business during the Relevant Periods, the financial position and operating results attributable to the Fire Safety Training Business including those carried out by the Vendor during the Relevant Periods are included in the Historical Financial Information as if they were carried out by the Target Company and its subsidiaries. For the purpose of this report, the Target Group had segregated relevant financial information of the Fire Safety Training Business, to the extent practicable, from the historical financial information of the Vendor for the preparation of the Historical Financial Information. Since the Vendor maintained same bank accounts for both the Fire Safety Training Business as well as the Other Investments, all bank transactions in relation to the Fire Safety Training Business and the Other Investments were processed through the same bank accounts, which cannot be segregated. As a result, the full balances of bank balance and cash of the Vendor (the "**Bank Balances and Cash**") for the Relevant Periods were reflected in this Historical Financial Information throughout the Relevant Periods. The movements and balances of net assets value attributable to, and the cash flows of, the Other Investments together with the paid-up capital of the Vendor and capital injection to the Target Company during the Relevant Periods were reflected as movements and balances of special reserve as deemed equity transactions with the Controlling Shareholders in the combined statements of changes in equity. Such presentation will cease when the Fire Safety Training Business of the Vendor is formally transferred to the Target Company and the Target Subsidiaries.

The Historical Financial Information has been therefore prepared as if the current group structure (i.e. the equity interests of the Target Subsidiaries are 90% and 10% held by the Target Company and the Vendor respectively) had been in existence and the Target Group had always been operating the Fire Safety Training Business throughout the Relevant Periods presented. The net assets of the companies comprising the Target Group have been combined using the existing book values from the perspective of Qingda Oriental Education. The combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Target Group include the financial performance and cash flows of the companies now comprising the Target Group for the Relevant Periods as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods. The combined statements of financial position of the Target Group as at 31 December 2022, 2023 and 2024 have been prepared to present the state of affairs of the companies now comprising of the Target Group as at those dates as if the current group structure had been in existence as at the respective dates. The combined statements of profit or loss and the combined statements of comprehensive income include the results of each of the Target Company and Target Subsidiaries or the Fire Safety Training Business from the earliest date presented or since the date when the Target Company and Target Subsidiaries or the Fire Safety Training Business first came under common control, where this is a shorter period, regardless of the date of the common control combination.

No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Companies Ordinance. The Historical Financial Information also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024 together with the relevant transitional provisions, have been adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information is presented in Renminbi ("**RMB**") which is also the functional currency of the Target Company and Target Subsidiaries and all values are rounded to the nearest thousand except when otherwise indicated.

The Historical Financial Information has been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. There is a material uncertainty related to these conditions that may cast significant doubt on the Target Group's ability to continue as a going concern and, therefore, the Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The management of the Target Group has prepared a cash flow forecast covering a period up to 31 December 2025 which demonstrates that the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. Accordingly, the Target Company Directors consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost except for the financial assets at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 4 to the Historical Financial Information.

3. ACCOUNTING POLICIES

3.1 Issued but not yet effective IFRS Accounting Standards

The Target Group has not early adopted the following revised IFRS Accounting Standards that have been issued but are not yet effective, in these combined financial statements. The Target Group intends to apply these revised IFRS Accounting Standards if applicable, when they become effective.

Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Annual Improvements to IFRS Accounting Standards	Volume 11[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to IFRS 18	Presentation and Disclosure in Financial Statements[3]
Amendments to IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
4 The effective date to be determined

The Target Company Directors are in the process of assessing the possible impact on the future adoption of the revised IFRS Accounting Standards, but are not yet in a position to reasonably estimate their impact on the Target Company's Historical Financial Information.

3.2 Basis of combination

The Historical Financial Information comprised the financial statements of the Target Company, all of its subsidiaries and the Fire Safety Training Business carried out by the Vendor. The financial statements of the subsidiaries and the Fire Safety Training Business carried by the Vendor are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are combined from the date on which the Controlling Shareholders obtain control, and continue to be combined until the date that such control ceases.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

3.3 Business combination under common control

Merger accounting is used to account for the acquisition of subsidiaries under common control by the Controlling Shareholders.

Under merger accounting, the combined financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the Controlling Shareholders.

The net assets of the combining entities or businesses are combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous statement of financial position dates or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using the book value accounting are recognised as expenses in the year in which it is incurred.

3.4 Subsidiaries

Subsidiaries are an entity, directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Company has less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

3.5 Fair value measurement

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

3.6 Impairment of non-financial assets

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

3.7 Related parties

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

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

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

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3.8 Property, plant and equipment and depreciation

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

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

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

Leasehold improvement	Over the shorter of the lease terms
Education equipment	15 years
Furniture, fixtures and computer equipment	3 to 8 years
Motor vehicles	5 years

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

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

3.9 Intangible assets

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Computer software	5 years

3.10 Leases

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, Initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land and buildings	2 to 20 years

(ii) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payment include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for termination of a lease, if the lease term reflects the Target Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases is recognised as an expense on a straight-line basis over the lease term.

3.11 Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade and bills receivables and contract assets that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables and contract assets that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in combined statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the combined statement of financial position at fair value with net changes in fair value recognised in the combined statement of profit or loss.

This category includes derivative instruments and equity investments which the Target Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the combined statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the combined statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("**a 12-month ECL**"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("**a lifetime ECL**").

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward- looking information.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.12 Financial liabilities

Initial recognition and measurement

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

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

The Target Group's financial liabilities include trade payables, other payables and accruals, and interest-bearing borrowing.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables)

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

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

Derecognition of financial liabilities

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

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

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase is calculated using the weighted-average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.14 Cash and cash equivalents

Cash and cash equivalents in the combined statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

3.15 Provisions

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

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

3.16 Income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.17 Employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. The employees of the Target Group are required to participate in a central pension scheme operated by the PRC local municipal government. The Target Group are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

3.18 Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

3.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

3.20 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue is recognised when (or as) the Target Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Target Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Target Group performs;

(b) the Target Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Target Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Target Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Provision of fire safety training services

Tuition fees from providing fire safety training services are recognised over time when the services are rendered. Tuition fees is recognised progressively over time using the output method, i.e. proportionately over the terms of the training program attended by customers or upon the completion of program examination, where applicable.

Licensing income

Licensing income from providing fire safety training service platform are recognised over time when the services are rendered.

Other income

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

3.21 Contract assets and contract liabilities

If the Target Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Target Group has a right to an amount of consideration that is unconditional, before the Target Group transfers a good or services to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Target Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

It is common for the Target Group to receive from the individual customers the whole or some of the contractual payments before the services are completed (i.e. the timing of revenue recognition for such transactions). The Target Group recognises a contract liability until it is recognised as revenue. On the other hand, in accordance with the standard payment schedules of the Target Group, payments are not due or received from the corporate customers in accordance with specific payment schedules in the fire safety training service contracts with corporate customers. However, for such transactions, revenue is recognised over time and therefore, a contract asset is recognised until it becomes a receivable or payments are received.

3.22 Contract costs

Contract costs are either incremental costs of obtaining or costs (other than those that are accounted for as inventories, property, plant and equipment, or intangible assets) to fulfil contracts with customers. Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses.

The costs to obtain contracts are capitalised if they are incremental and recoverable, except to the extent that the practical expedient in paragraph 94 of IFRS 15 is applied. The capitalised costs are amortised on a straight-line basis over the term of the specific existing and anticipated contracts to which the costs relate. The Target Group applied the practical expedient in IFRS 15 and recognised the incremental costs as an expense when incurred if the amortisation period of the asset that the Target Group otherwise would have recognised is one year or less.

3.23 Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers within IFRS 15

The Target Group estimates the timing of revenue recognition by assessing when control of the services is transferred to the customers. In determining when control is transferred, management of the Target Group has based on its assessment on customers' attendance over the term of the training program, the completion of the program examination or designated effective period for attending the training program. Significant management judgement is required to determine when the revenue can be recognised, based on the likely timing.

Income taxes

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

Estimation uncertainty

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

Impairment of non-financial assets

Non-financial assets (including property, plant and equipment, right-of-use assets and intangible assets) are tested for impairment when indicators exist. Where an impairment indicator exists, the recoverable amount of the asset is determined based on the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

Write-off of trade receivables and provision for ECL allowance on trade receivables and contract assets

The Target Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Target Group.

Other than write-off of trade receivables, the Target Group uses a provision matrix to calculate ECL allowance on trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Target Group's historical observed default rates. The Target Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed when necessary.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions may also not be representative of a customer's actual default in the future.

Further details on the ECLs on the Target Group's trade receivables and contract assets are set out in notes 18 and 34 to the Historical Financial Information.

Useful lives of property, plant and equipment

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

Leases — Estimating the incremental borrowing rate

The Target Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (''**IBR**'') to measure lease liabilities. The IBR is the rate of interest that the Target Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Group ''would have to pay'', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Target Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

5. OPERATING SEGMENT INFORMATION

The Target Group is principally engaged in provision of fire safety training services. For the purposes of assessing performance and allocating resources, the Target Group's operation is regarded as one reportable and operating segment which is provision of fire safety training services. The executive directors of the Target Company review the profit or loss for the year of the Target Group as a whole. Accordingly, no further information about the operating segment is presented.

Geographical information

No geographical segment information is presented as the Target Group's revenue is all derived from the PRC based on the location of services provided and all of the Target Group's non-current assets are located in the PRC by physical location of assets.

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of the Target Group's total revenue during the Relevant Periods.

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

(i) Disaggregate revenue information

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Tuition fees	163,669	213,306	226,566
Licensing income	283	501	409
	163,952	213,807	226,975
Timing of revenue recognition			
Services transferred over time	163,952	213,807	226,975
Revenue from contracts with customers			
Corporate customers	125,572	157,094	165,793
Individual customers	38,380	56,713	61,182
	163,952	213,807	226,975

(ii) Performance obligations

The performance obligation of fire safety training service is recognised over time as services are rendered. For corporate customers, payment is generally due three to six months upon completion of the training courses. For individual customers, payment in advance is normally required.

Other income and gains

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	79	77	50
Government grant*	488	272	472
Gain on termination of lease *(note 15(c))*	2,033	6,662	2,722
Realised gain arising from financial assets at FVPL	36	39	67
Others	293	462	359
Total other income and gains	2,929	7,512	3,670

* The Target Group received conditional government subsidies of RMB488,000, RMB272,000 and RMB472,000 for the years ended 31 December 2022, 2023 and 2024 respectively, for supporting enterprises development and employment subsidy. There were no unfulfilled conditions or contingencies attaching to these government subsidies.

7. (LOSS) PROFIT BEFORE TAX

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

		Year ended 31 December		
		2022	**2023**	**2024**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Employee benefits expenses (including directors' remuneration of the Target Company)#:				
Salaries, allowances and benefits in kind		73,722	70,965	74,846
Pension scheme contributions		6,810	6,824	6,558
		80,532	77,789	81,404
Cost of services provided^		82,224	65,131	61,817
Amortisation of intangible assets*	*16*	235	134	71
Depreciation of right-of-use assets	*15*	15,466	10,525	10,069
Depreciation of property, plant and equipment	*14*	8,919	7,963	8,436
Auditor's remuneration		211	580	140
Impairment losses on right-of-use assets and property, plant and equipment		23,425	8,490	3,590
Provision for (Reversal of) ECL on trade receivables, contract assets and other receivables, net		2,493	(2,852)	(427)
Research and development costs@		5,020	5,990	7,850
Loss on disposal of property, plant and equipment		554	81	438
Interest income	*6*	(79)	(77)	(50)
Gain on termination of leases	*6*	(2,033)	(6,662)	(2,722)

^ Cost of services provided includes RMB20,988,000, RMB19,745,000 and RMB19,717,000 relating to staff cost and depreciation for the years ended 31 December 2022, 2023 and 2024 which amounts are also included in the respective total amounts disclosed separately above.

* The amortisation of intangible assets for the year are included in "administrative expenses" in the combined statements of profit or loss.

During the years ended 31 December 2022, 2023 and 2024, the Target Group had no forfeited contributions under its retirement benefit scheme in the PRC which may be used to reduce the existing level of contributions as described in Rule 18.34 of the GEM Listing Rules.

@ Research and development costs includes RMB3,120,000, RMB3,713,000 and RMB4,293,000 relating to staff cost for the years ended 31 December 2022, 2023 and 2024 which amounts are also included in the respective total amounts disclosed separately above.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	4,708	4,407	3,148
Interest on consideration payables	1,974	2,061	1,424
Interest on interest-bearing borrowing	—	—	6
	6,682	6,468	4,578

9. DIRECTORS' REMUNERATION OF THE TARGET COMPANY

	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Pension scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022					
程水榮	—	240	—	—	240

	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Pension scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023					
程水榮	—	240	—	—	240

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Pension scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024					
程水榮	—	240	—	—	240
楊忠良(#)	—	33	—	—	33
許傳升(#)	—	30	—	1	31
李紅宇(#)	—	32	—	1	33
張浩(#)	—	22	—	—	22
	—	357	—	2	359

(#) Appointed on 29 November 2024

There was no arrangement under which the director of Target Company waived or agreed to waive any emolument during the Relevant Periods. In addition, no remuneration was paid by the Target Company to any director as an inducement to join or upon joining the Target Group during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
Number of employees other than directors	5	5	5

Details of the remuneration for the Relevant Periods of the five highest paid employees who are not directors of the Target Company, including the three directors who were appointed on 29 November 2024 during the non-director period, are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,780	1,792	1,738
Pension scheme contributions	202	190	163
Total	1,982	1,982	1,901

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

	Year ended 31 December		
	2022	**2023**	**2024**
Nil to HK$1,000,000 (equivalent to RMB887,000, RMB905,000 and RMB940,000 for 2022, 2023 and 2024 respectively)	5	5	5

During the Relevant Periods, there was no arrangement under which any of these highest paid non-director individuals waive any emoluments. In addition, no remuneration was paid by the Target Company to any of these highest paid non-director individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office.

11. INCOME TAX EXPENSE

The statutory corporate income tax ("**CIT**") rate for PRC entities is 25%. According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower CIT rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the entities qualified as small scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits) for the years ended 31 December 2023 and 31 December 2024. For the year ended 31 December 2022, (i) the first RMB1,000,000 of assessable profits (the "**1st Assessable Profits**") of these subsidiaries were effectively taxable at 2.5% (i.e. 20% CIT rate on the 12.5% of the 1st Assessable Profits); and (ii) the remaining assessable profits not over RMB3,000,000 (the "**Remaining Assessable Profits**") were effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the Remaining Assessable Profits). Certain of the Target Subsidiaries have been designated as a small scale enterprises.

Under the Corporate Income Tax Law, the CIT for other companies in the Target Group is calculated at a rate of 25% on the estimated assessable profits for the years ended 31 December 2022, 2023 and 2024.

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current — the PRC:			
Charge for the year	373	3,546	1,665
Deferred tax *(note 25)*	100	1	5
Total tax charge for the year	473	3,547	1,670

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

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
(Loss) Profit before tax	(43,865)	32,134	50,819
Tax at statutory tax rate at 25%	(10,966)	8,034	12,704
Effect of concessionary tax rates	9,202	(3,309)	(9,524)
Under (over) provision in prior year	73	(9)	67
Tax effect of expenses not deductible	281	462	272
Tax effect of utilisation of unrecognised tax losses	(592)	(2,535)	(1,965)
Tax effect of unrecognised tax losses	3,047	1,722	1,293
Super deduction on research and development costs	(572)	(818)	(1,177)
	473	3,547	1,670

12. (LOSS) EARNINGS PER SHARE

(Loss) Earnings per share has not been presented as such information is not considered meaningful for the purpose of the Historical Financial Information.

13. DIVIDENDS

No dividends has been paid or declared by the Target Company and its subsidiaries during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *RMB'000*	Education equipment *RMB'000*	Furniture and fixtures and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Year ended 31 December 2022					
At 1 January 2022	3,920	62,220	2,654	2,673	71,467
Additions	1,649	7,675	1,062	133	10,519
Disposals	—	(3,173)	(28)	(609)	(3,810)
Impairment losses *(note 7)*	(1,078)	—	—	—	(1,078)
Depreciation *(note 7)*	(2,324)	(5,069)	(1,033)	(493)	(8,919)
At 31 December 2022	2,167	61,653	2,655	1,704	68,179
At 31 December 2022:					
Cost	37,683	78,893	8,513	3,328	128,417
Accumulated depreciation and impairment losses	(35,516)	(17,240)	(5,858)	(1,624)	(60,238)
Net carrying amount	2,167	61,653	2,655	1,704	68,179
Year ended 31 December 2023					
At 1 January 2023	2,167	61,653	2,655	1,704	68,179
Additions	9,991	5,052	546	—	15,589
Disposals	—	(1,984)	(39)	(257)	(2,280)
Impairment losses *(note 7)*	(127)	—	—	—	(127)
Depreciation *(note 7)*	(1,392)	(5,224)	(983)	(364)	(7,963)
At 31 December 2023	10,639	59,497	2,179	1,083	73,398
At 31 December 2023:					
Cost	45,454	81,323	8,742	2,746	138,265
Accumulated depreciation and impairment losses	(34,815)	(21,826)	(6,563)	(1,663)	(64,867)
Net carrying amount	10,639	59,497	2,179	1,083	73,398
Year ended 31 December 2024					
At 1 January 2024	10,639	59,497	2,179	1,083	73,398
Additions	1,448	1,847	256	501	4,052
Disposals	—	(506)	(35)	(583)	(1,124)
Depreciation *(note 7)*	(1,992)	(5,345)	(859)	(240)	(8,436)
At 31 December 2024	10,095	55,493	1,541	761	67,890
At 31 December 2024:					
Cost	46,345	81,640	8,796	1,401	138,182
Accumulated depreciation and impairment losses	(36,250)	(26,147)	(7,255)	(640)	(70,292)
Net carrying amount	10,095	55,493	1,541	761	67,890

15. LEASES

The Target Group as a lessee

(a) Right-of-use assets

The Target Group has lease school premises and office premises in the PRC. The leases comprise only fixed payments over the lease term. Lease terms range from 2 to 15 years.

Restrictions or covenants

The Target Group is required to keep those school premises and office premises in a good state of repair and return them in their original condition at the end of the leases.

	School premises *RMB'000*	**Office premises** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2022			
At 1 January 2022	33,538	175	33,713
Additions	30,355	982	31,337
Termination of lease	(1,762)	—	(1,762)
Impairment losses *(note 7)*	(22,347)	—	(22,347)
Depreciation *(note 7)*	(15,109)	(357)	(15,466)
At 31 December 2022	24,675	800	25,475
As at 31 December 2022:			
Cost	90,652	1,282	91,934
Accumulated depreciation and impairment losses	(65,977)	(482)	(66,459)
Net carrying amount	24,675	800	25,475
Year ended 31 December 2023			
At 1 January 2023	24,675	800	25,475
Additions	15,247	330	15,577
Termination of lease	(3,775)	—	(3,775)
Impairment losses *(note 7)*	(8,363)	—	(8,363)
Depreciation *(note 7)*	(10,097)	(428)	(10,525)
At 31 December 2023	17,687	702	18,389
As at 31 December 2023:			
Cost	92,919	1,312	94,231
Accumulated depreciation and impairment losses	(75,232)	(610)	(75,842)
Net carrying amount	17,687	702	18,389

	School premises *RMB'000*	Office premises *RMB'000*	Total *RMB'000*
Year ended 31 December 2024			
At 1 January 2024	17,687	702	18,389
Additions	12,232	—	12,232
Termination of lease	(671)	—	(671)
Impairment losses *(note 7)*	(3,590)	—	(3,590)
Depreciation *(note 7)*	(9,630)	(439)	(10,069)
As at 31 December 2024	16,028	263	16,291
As at 31 December 2024:			
Cost	91,149	1,312	92,461
Accumulated depreciation and impairment losses	(75,121)	(1,049)	(76,170)
Net carrying amount	16,028	263	16,291

During the Relevant Periods, the management of the Target Group considered there were uncertainties on the financial performances of several training institutions under the COVID-19 pandemic. The management had adjusted the cash flow forecast of the Target Group and adopted a more prudent view on the business growth. The recoverable amounts of these training institutions (each as a cash generating unit, the "**CGU**") have been determined on the basis of their value in use using discounted cash flow method. The general growth rate on revenue is 10%, 10% and 5% and the rate used to discount the forecast cash flows are 17%, 17% and 16% for the years ended 31 December 2022, 2023 and 2024 respectively.

As the recoverable amounts of CGUs are lower than the respective carrying amounts of right-of-use assets, impairment losses of approximately RMB22,347,000, RMB8,363,000 and RMB3,590,000 were recognised in the profit or loss for the years ended 31 December 2022, 2023 and 2024 so arising from the CGUs, respectively.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	2022 *RMB'000*	**2023** *RMB'000*	**2024** *RMB'000*
Carrying amount at 1 January	45,168	53,231	38,639
New lease	31,337	15,577	12,232
Termination of lease	(3,795)	(10,437)	(3,393)
Accretion of interest recognised during the year *(note 8)*	4,708	4,407	3,148
Payments	(24,187)	(24,139)	(21,426)
Carrying amount at 31 December	53,231	38,639	29,200
Analysed into:			
Current portion	16,870	17,197	17,880
Non-current portion	36,361	21,442	11,320
	53,231	38,639	29,200

The maturity analysis of the undiscounted lease liabilities is disclosed in note 34 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases in which the Target Group is a lessee are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities *(note 8)*	4,708	4,407	3,148
Depreciation charge of right-of-use assets	15,466	10,525	10,069
Impairment losses of right-of-use assets	22,347	8,363	3,590
Gain on termination of lease	(2,033)	(6,662)	(2,722)
Total amount recognised in profit or loss	40,488	16,633	14,085

(d) The total cash outflow for leases is disclosed in note 28(b) to the Historical Financial Information.

(e) At 31 December 2022, 2023 and 2024, the Target Group was committed to RMB691,000, RMB819,000 and RMB786,000 respectively for short-term leases.

16. INTANGIBLE ASSETS

	Software
	RMB'000
Year ended 31 December 2022	
At 1 January 2022	440
Amortisation *(note 7)*	(235)
At 31 December 2022	205
At 31 December 2022	
Cost	1,438
Accumulated amortisation	(1,233)
Net carrying value	205
Year ended 31 December 2023	
At 1 January 2023	205
Amortisation *(note 7)*	(134)
At 31 December 2023	71
At 31 December 2023	
Cost	1,438
Accumulated amortisation	(1,367)
Net carrying value	71
Year ended 31 December 2024	
At 1 January 2024	71
Amortisation *(note 7)*	(71)
At 31 December 2024	—
At 31 December 2024	
Cost	1,438
Accumulated amortisation	(1,438)
Net carrying value	—

17. INVENTORIES

	At 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	3,385	3,142	2,410

Finished goods includes fire safety training materials and consumables.

18. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

	At 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	13,887	12,125	14,559
Less: Allowance for expected credit losses	(1,892)	(761)	(782)
	11,995	11,364	13,777
Bills receivables	—	—	220
Subtotal	11,995	11,364	13,997
Contract assets (i)	14,590	11,297	7,130
Less: Allowance for expected credit losses	(2,453)	(916)	(543)
Subtotal	12,137	10,381	6,587
Total	24,132	21,745	20,584

Generally, the tuition fees are billed in advance to individual customers. The Target Group's trading terms with its corporate customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three to six months. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing. Information about the Target Group's exposure to credit risks and loss allowance for trade receivables and contract assets is included in note 34 to the Historical Financial Information.

Notes:

(i) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within IFRS 15 during the Relevant Periods are as follows:

	At 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	21,040	14,590	11,297
Transferred to trade receivables	(21,040)	(14,590)	(11,297)
Recognition of revenue	14,590	11,297	7,130
At 31 December	14,590	11,297	7,130

At the end of each Relevant Periods, all the contract assets were expected to be recovered within 12 months. All of the performance obligations that were unsatisfied at the end of each Relevant Periods were part of contracts that have an original expected duration of one year or less.

An aging analysis of the trade receivables based on the invoice date, is as follows:

	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	3,981	4,835	4,747
1 to 2 months	1,876	2,777	4,208
2 to 3 months	450	391	898
3 to 6 months	1,939	405	1,260
6 to 12 months	930	1,328	976
Over 1 year	2,819	1,628	1,908
	11,995	11,364	13,997

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	6,879	6,201	4,447
Less: Allowance for expected credit losses	(431)	(247)	(172)
	6,448	5,954	4,275
Prepayments	5,282	3,636	2,553
Tender deposits	408	454	453
Deposits for purchase of property, plant and equipment	1,527	1,495	541
Deposits paid	3,571	3,364	3,381
	17,236	14,903	11,203
Portion classified as non-current:			
Deposits paid	(1,773)	(1,888)	(1,630)
Deposits for purchase of property, plant and equipment	(1,527)	(1,495)	(541)
	(3,300)	(3,383)	(2,171)
Current portion	13,936	11,520	9,032

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. The amounts are unsecured, interest-free and expected to be recovered within 12 months. Information about the Target Group's exposure to credit risks and loss allowance for other receivables is included in note 34 to the Historical Financial Information.

20. CASH AND CASH EQUIVALENTS

The Target Group

	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	7,485	40,303	14,206
Cash on hand	82	74	115
	7,567	40,377	14,321

The Target Company

	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	—	—	147

The cash and bank balances were denominated in Renminbi ("**RMB**"), that are not freely convertible into other currencies and were subject to exchange controls in the PRC.

21. TRADE PAYABLES

An aging analysis of the trade payables based on the invoice date, is as follows:

	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	2,336	2,498	3,417
1 to 2 months	417	453	207
2 to 3 months	602	91	107
Over 3 months	10,301	8,442	9,575
	13,656	11,484	13,306

22. OTHER PAYABLES AND ACCRUALS

	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Accruals and other payables	11,867	10,365	11,600
Accrued salaries and other benefits	5,993	7,245	9,370
Payable for purchasing of property, plant and equipment	1,868	925	628
Consideration payables for acquisition of a subsidiary (i)	46,995	49,056	—
	66,723	67,591	21,598

(i) It represented consideration payables for acquisition of a subsidiary in 2018 and was measured at amortised cost by using an effective interest method until repayment term in 2024. The interest expenses on the consideration payable of RMB1,974,000, RMB2,061,000 and RMB1,424,000 for the years ended 31 December 2022, 2023 and 2024 respectively were recognised in profit or loss.

23. CONTRACT LIABILITIES

	At 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities arising from contracts with customers	33,180	38,394	20,780

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within IFRS 15 during the Relevant Periods are as follows:

	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	28,493	33,180	38,394
Recognised as revenue	(28,493)	(33,180)	(38,394)
Receipt of advances or recognition of receivables	33,180	38,394	20,780
At 31 December	33,180	38,394	20,780

At the end of each Relevant Periods, no contract liabilities were expected to be settled after more than 12 months.

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2022, 2023 and 2024 respectively. Given that the Group applies the practical expedient in paragraph 121(a) of IFRS 15, the transaction price allocated to these performance obligations is not disclosed.

24. INTEREST-BEARING BORROWING

	At 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing borrowing — third party	—	—	326

The borrowing is unsecured, interest bearing at 10.85% per annum and repayable between 2025 to 2029. The loan is with a clause in its terms that gives the lender an overriding right to demand repayment without notice at its sole discretion, is classified as current liabilities even though the Target Company Directors do not expect that the lender would exercise its right to demand repayment.

The maturity of the interest-bearing borrowing and analysis of the amount due based on scheduled payment dates set out in the agreement is as follows:

	At 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within one year	—	—	54
In the second year	—	—	61
In the third to fifth years, inclusive	—	—	211
	—	—	326
Portion classified as current liabilities	—	—	(326)
	—	—	—

25. DEFERRED TAX

(a) Deferred tax assets not recognised

The Target Group has not recognised deferred tax assets in respect of tax losses as it is not considered probable that future taxable profits will be available against which the tax losses could be utilised. The unused tax losses will be expired in five years from the respective dates of incurrence.

	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses expiring in:			
2023	5,566	—	—
2024	19,136	17,528	—
2025	18,332	16,132	11,759
2026	46,638	37,370	32,806
2027	43,976	40,723	36,447
2028	—	19,148	15,054
2029	—	—	15,096
	133,648	130,901	111,162

(b) Deferred tax liabilities

	Other temporary differences
	RMB'000
At 1 January 2022	148
Charge to the combined statement of profit or loss during the year *(note 11)*	100
At 31 December 2022	248
At 1 January 2023	248
Charge to the combined statement of profit or loss during the year *(note 11)*	1
At 31 December 2023	249
At 1 January 2024	249
Charge to the combined statement of profit or loss during the year *(note 11)*	5
At 31 December 2024	254

26. PAID-UP CAPITAL

	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	50,000	50,000	180,000

	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Paid-up capital			
At 1 January	15,560	15,560	15,560
Injection of capital	—	—	164,440
At 31 December	15,560	15,560	180,000

In November 2024, the Target Company passed a shareholder's resolution to increase its registered capital from RMB50,000,000 to RMB180,000,000. The capital has been fully paid-up by the immediate holding company. Under the merger accounting principles, the injection of capital is treated as non-cash transaction.

(a) A summary of the Target Company's reserves is as follows:

	Paid-up capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	15,560	(6,509)	9,051
Loss for the year and total comprehensive loss for the year	—	(2,864)	(2,864)
At 31 December 2022	15,560	(9,373)	6,187
At 1 January 2023	15,560	(9,373)	6,187
Loss for the year and total comprehensive loss for the year	—	(961)	(961)
At 31 December 2023	15,560	(10,334)	5,226
At 1 January 2024	15,560	(10,334)	5,226
Loss for the year and total comprehensive loss for the year	—	(57,940)	(57,940)
Transaction with owners:			
Contributions and distributions			
Injection of capital	164,440	—	164,440
	164,440	—	164,440
At 31 December 2024	180,000	(68,274)	111,726

27. RESERVES

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

(i) Statutory and other surplus reserve

Pursuant to the relevant laws in the PRC, the Target Group's subsidiaries in the PRC should make appropriations from after-tax profit to certain non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (a) statutory surplus reserve of the limited liability companies and (b) development funds for the schools.

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

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

(b) According to the relevant PRC laws and regulations, non-profit making private schools are required to appropriate to a development fund of not less than 10% of the net increase of net assets of the relevant non-profit making private schools as determined in accordance with the PRC accounting standards. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment and not available for distribution to shareholders.

(ii) Special reserve

During the Relevant Periods, the Vendor acquired equity interest in certain unlisted entities financed by the advances from its ultimate holding company and fellow subsidiaries (the "**Other Investments**"). The Other Investments are not related to the Fire Safety Training Business and therefore do not form part of the Target Group. As the Historical Financial Information included in this report aims to reflect those financial information relevant to the Fire Safety Training Business during the Relevant Periods, the Other Investments were excluded from the Historical Financial Information.

However, since historically and throughout the Relevant Periods, several bank accounts were maintained by the Vendor for both the Fire Safety Training Business and the Other Investments, the Target Group's movements of cash flows as well as changes in equity (including the paid-up capital of the Vendor, capital injection to the Target Company and fund transfers related to the Other Investments) included in this Historical Financial Information have inevitably included those related to the Other Investments. Therefore,

(a) in the combined statements of cash flows of the Target Group, any fund flows resulted in the increase and decrease of the bank accounts as a result of transactions relating to the Other Investments, were reflected as deemed financing cash flows of the Target Group with the Controlling Shareholders and fellow subsidiaries and included in the Target Group's combined statements of cash flows throughout the Relevant Periods; and

(b) in the combined statements of changes in equity of the Target Group, due to the fact that both Fire Safety Training Business and Other Investments are under the common control of the Controlling Shareholders, any corresponding increase/decrease in resources of the Group as a result of transactions mentioned in (a) above was credited/debited to special reserve and recognised as movements with the Controlling Shareholders.

28. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Interest-bearing borrowing *RMB'000*	Lease liabilities *RMB'000*
Year ended 31 December 2022		
At 1 January 2022	—	45,168
Changes from financing cash flows:		
— Principal portion of lease payment	—	(19,479)
— Interest portion of lease payment	—	(4,708)
Termination of lease	—	(3,795)
Inception of new leases	—	31,337
Interest expense	—	4,708
At 31 December 2022	—	53,231
Year ended 31 December 2023		
At 1 January 2023	—	53,231
Changes from financing cash flows:		
— Principal portion of lease payment	—	(19,732)
— Interest portion of lease payment	—	(4,407)
Termination of lease	—	(10,437)
Inception of new leases	—	15,577
Interest expense	—	4,407
At 31 December 2023	—	38,639
Year ended 31 December 2024		
At 1 January 2024	—	38,639
Changes from financing cash flows:		
— Principal portion of lease payment	—	(18,278)
— Interest portion of lease payment	—	(3,148)
— Interest paid	(6)	—
— New interest-bearing borrowing	334	—
— Repayment of interest-bearing borrowing	(8)	—
Termination of lease	—	(3,393)
Inception of new leases	—	12,232
Interest expense	6	3,148
At 31 December 2024	326	29,200

(b) Total cash outflow for leases

The total cash outflow for leases included in the combined statement of cash flows is as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within financing activities	24,187	24,139	21,426

29. COMMITMENTS

Except for those commitments disclosed elsewhere in the Historical Financial Information, the Target Group did not have any significant commitments as at the end of the Relevant Periods.

30. CONTINGENT LIABILITIES

There were no significant contingent liabilities at 31 December 2022, 2023 and 2024.

31. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Except for those transactions and balances detailed elsewhere in the Historical Financial Information, the Target Group had no material transactions with related parties during the Relevant Periods.

(b) Remuneration of key management personnel of the Target Group, including the directors of the Target Company as disclosed in note 9 to the Historical Financial Information and the highest paid employees as disclosed on note 10 to the Historical Financial Information, is as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	3,387	3,395	3,554
Pension scheme contribution	341	296	264
	3,728	3,691	3,818

(c) The amount due is unsecured, non-interest bearing and has no fixed repayment term.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the Relevant Periods are as follows:

Financial assets

	Financial assets at amortised cost At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	11,995	11,364	13,997
Financial assets included in prepayments, deposits and other receivables	11,954	11,267	8,650
Cash and cash equivalents	7,567	40,377	14,321
	31,516	63,008	36,968

Financial liabilities

	Financial liabilities at amortised cost		
	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	13,656	11,484	13,306
Financial liabilities included in other payables and accruals	66,723	67,591	21,598
Lease liabilities	53,231	38,639	29,200
Interest-bearing borrowing	—	—	326
	133,610	117,714	64,430

33. FAIR VALUE MEASUREMENTS

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2022, 2023 and 2024.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's financial instruments comprise cash and cash equivalents, trade and bills receivables, contract assets and financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and lease liabilities which arise directly from its operations.

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Target Group is exposed to credit risk from its operating activities (primarily trade receivables and contract assets).

Significant concentrations of credit risk primarily arise when the Target Group has significant exposure to corporate customers. At 31 December 2022, 2023 and 2024, 16%, 13% and 14% of the total trade receivables was due from the Target Group's largest corporate customer, respectively, and 31%, 26% and 35% of the total trade receivables was due from the Target Group's five largest corporate customers, respectively.

In addition, receivable balances are monitored on an on-going basis and the Target Group's exposure to bad debts is not significant. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the Directors of the Target Group consider that the Target Group's credit risk is significantly reduced.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-months ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	11,995	11,995
Contract assets*	—	—	—	12,137	12,137
Financial assets included in prepayments, deposits and other receivables — Normal**	11,954	—	—	—	11,954
Cash and cash equivalents — Not yet past due	7,567	—	—	—	7,567
	19,521	—	—	24,132	43,653

As at 31 December 2023

	12-months ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	11,364	11,364
Contract assets*	—	—	—	10,381	10,381
Financial assets included in prepayments, deposits and other receivables — Normal**	11,267	—	—	—	11,267
Cash and cash equivalents — Not yet past due	40,377	—	—	—	40,377
	51,644	—	—	21,745	73,389

As at 31 December 2024

	12-months ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	13,997	13,997
Contract assets*	—	—	—	6,587	6,587
Financial assets included in prepayments, deposits and other receivables — Normal**	8,650	—	—	—	8,650
Cash and cash equivalents — Not yet past due	14,321	—	—	—	14,321
	22,971	—	—	20,584	43,555

* For trade receivables and contract assets to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in below table.

** The credit quality of the financial assets included in prepayments, deposits and other receivables are considered to be ''normal'' when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be ''doubtful''.

The following table provides information about the Target Group's exposure to credit risk and ECLs for trade receivables and contract assets:

Trade receivables

	At 31 December 2022			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
	%	*RMB'000*	*RMB'000*	
Less than 1 month past due	5.9	4,232	250	No
1 to 3 months past due	5.8	2,471	143	No
3 to 6 months past due	4.4	2,029	90	No
6 to 12 months past due	6.5	995	65	No
More than 1 year past due	32.3	4,160	1,344	No
		13,887	1,892	

	At 31 December 2023			
	Expected loss rate	Gross carrying amount	Loss allowance	Credit-impaired
	%	RMB'000	RMB'000	
Less than 1 month past due	3.8	5,027	192	No
1 to 3 months past due	2.4	3,246	79	No
3 to 6 months past due	2.5	416	11	No
6 to 12 months past due	4.1	1,386	58	No
More than 1 year past due	20.6	2,050	421	No
		12,125	761	

	At 31 December 2024			
	Expected loss rate	Gross carrying amount	Loss allowance	Credit-impaired
	%	RMB'000	RMB'000	
Less than 1 month past due	1.5	4,596	68	No
1 to 3 months past due	1.7	5,193	88	No
3 to 6 months past due	3.2	1,302	42	No
6 to 12 months past due	2.9	1,004	29	No
More than 1 year past due	22.5	2,464	555	No
		14,559	782	

Contract assets

	Expected loss rate	Gross carrying amount	Loss allowance	Credit-impaired
	%	RMB'000	RMB'000	
At 31 December 2022	16.8	14,590	2,453	No
At 31 December 2023	8.1	11,297	916	No
At 31 December 2024	7.6	7,130	543	No

The trade receivables that were past due over 90 days but not credit-impaired mainly relate to customers have good track records and no historical default events with the Target Group. Therefore, management of the Target Group believes that no further loss allowance is considered necessary. The Target Group does not hold any collateral over trade receivables and contract assets as at 31 December 2022, 2023 and 2024.

As at 31 December 2022, 2023 and 2024, the Target Group recognised loss allowance of RMB4,776,000, RMB1,924,000 and RMB1,497,000 on the trade receivables, contract assets and other receivables. The movements in the loss allowance for trade receivables, contract assets and other receivables are summarised below.

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,283	4,776	1,924
Increase (Decrease) in allowance	2,493	(2,852)	(427)
At end of year	4,776	1,924	1,497

Liquidity risk

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

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

As at 31 December 2022

	On demand or no fixed repayment terms	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,656	—	—	—	13,656
Other payables and accruals	60,727	—	—	—	60,727
Lease liabilities	—	20,947	37,591	4,712	63,250
	74,383	20,947	37,591	4,712	137,633

As at 31 December 2023

	On demand or no fixed repayment terms	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	11,484	—	—	—	11,484
Other payables and accruals	60,346	—	—	—	60,346
Lease liabilities	—	20,048	23,235	920	44,203
	71,830	20,048	23,235	920	116,033

As at 31 December 2024

	On demand or no fixed repayment terms	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,306	—	—	—	13,306
Other payables and accruals	12,228	—	—	—	12,228
Lease liabilities	—	14,267	18,679	121	33,067
Interest-bearing borrowing	—	87	333	—	420
	25,534	14,354	19,012	121	59,021

Capital management

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

The Target Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022, 2023 and 2024.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2024, the following included the principal subsidiaries directly or indirectly held by the Target Company and, in the opinion of the Target Company Directors, are significant to the revenue for the Relevant Periods. The Target Company Directors consider that giving details of other subsidiaries would result in particulars of excess length.

Name	Place of establishment and business	Registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	*Indirect*	
上海清大東方職業技能培訓學校有限公司	PRC	Registered capital of RMB1,000,000	100%		Operating a training institution
北京市清大東方消防職業技能昌平培訓學校有限公司	PRC	Registered capital of RMB300,000		90%	Operating a training institution
福州市清大東方消防職業培訓學校	PRC	Registered capital of RMB500,000		90%	Operating a training institution
重慶兩江新區清大東方職業技能培訓學校有限公司	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
寧波市清大東方消防職業技能培訓學校有限公司	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
西安市清大東方消防職業技能培訓學校有限公司	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
長治市清大東方消防職業技能培訓學校有限公司	PRC	Registered capital of RMB500,000		100%	Operating a training institution

Name	Place of establishment and business	Registered capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
新疆清大東方消防職業培訓學校有限公司	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
青島市清大東方消防職業培訓學校	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
南京市清大東方消防職業培訓學校有限公司	PRC	Registered capital of RMB2,000,000		100%	Operating a training institution
無錫清大東方消防職業培訓學校	PRC	Registered capital of RMB2,000,000		100%	Operating a training institution
哈爾濱市清大東方消防職業培訓學校有限公司	PRC	Registered capital of RMB300,000		100%	Operating a training institution
雲南清大東方消防安全職業培訓學校	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
武漢清大東方消防職業培訓學校	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
泰州市清大東方消防職業培訓學校有限公司	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
海南清大東方消防職業培訓學校有限公司	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution
河北省清大東方消防職業培訓學校	PRC	Registered capital of RMB1,000,000		100%	Operating a training institution

36. EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report, the transfer of the Fire Safety Training Business as mentioned in note 2 to the Historical Financial Information has not yet been completed.

Set out below is the management discussion and analysis of the Target Group for each of FY2022, FY2023 and FY2024. The following financial information is based on the audited financial information of the Target Group set forth in Appendix II to this supplemental circular.

BUSINESS REVIEW

The principal activity of the Target Company is investment holding. 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.

FINANCIAL REVIEW

Revenue

The Target Group recorded significant improvements in revenue and profitability over FY2022 to FY2024, reflecting strong business expansion, optimized cost structures, and enhanced operational efficiency.

For FY2022, the Target Group generated approximately RMB164.0 million in revenue. For FY2023, revenue surged to approximately RMB213.8 million, representing an approximately 30.4% year-on-year increase. Such increase was primarily attributable to the relaxation of COVID-19 restrictions and resumption of the business operation in the PRC during FY2023, leading to an increase in revenue.

For FY2024, revenue further increased to approximately RMB227.0 million, reflecting an approximately 6.2% year-on-year growth, primarily due to contributions from both newly acquired customers and existing customers, who contributed RMB11.9 million and RMB1.3 million during the year, respectively.

Cost of services provided

The Target Group recorded cost of services provided of approximately RMB82.2 million for FY2022. For FY2023, cost of services provided amounted to approximately RMB65.1 million, representing a decrease of approximately 20.8% as compared to that for FY2022 and further decreased to approximately RMB61.8 million in FY2024. Such decrease was primarily attributable to the fact that the majority of the cost of services provided was fixed in nature and did not vary with the revenue throughout FY2022 to FY2024. The decrease in cost of services provided of approximately RMB17.1 million from FY2022 to FY2023, as compared to a smaller decrease of approximately RMB3.3 million from FY2023 to FY2024, was primarily due to (i) reduced rental costs achieved through renegotiated leases and the relocation of certain Training Institutions to nearby locations with lower costs; and (ii) a shift toward online channels from in-person, resulting in lower staff costs due to reduced headcount.

Gross profit and gross profit margin

The Target Group recorded a gross profit of approximately RMB81.7 million for FY2022. For FY2023, gross profit was recorded at approximately RMB148.7 million, representing an increase of approximately 81.9% as compared to that for FY2022, which was mainly the result of the significant increase in revenue due to lifting of COVID-19 restrictions and better cost management.

For FY2024, gross profit was recorded at approximately RMB165.2 million, representing an increase of approximately 11.1% as compared to that for FY2023, mainly due to the increase in revenue from newly acquired customers and existing customers and better cost management.

The gross profit margins were approximately 49.8%, 69.5% and 72.8% for FY2022, FY2023 and FY2024 respectively. The increasing gross profit margin was mainly attributable to the increase in revenue and the corresponding decrease in cost of services provided for the reasons as discussed above.

Other incomes and gains

Other incomes and gains of the Target Group amounted to approximately RMB2.9 million, RMB7.5 million and RMB3.7 million for FY2022, FY2023 and FY2024, respectively. Other income and gains mainly represented government grant, interest income and gain on termination of lease.

Selling expenses

The selling expenses of the Target Group increased from approximately RMB20.6 million for FY2022 to approximately RMB30.6 million for FY2023, mainly due to (i) the increased expenses from engaging third parties on promotion of the training courses to individual and corporate customers; and (ii) increase in promotion activities for its business and enhanced branding efforts arising from the gradual ease of implementation of stringent pandemic control and lockdown measures for COVID-19 in the PRC.

For FY2024, the Target Group acknowledged the growing dependence on the digital world, particularly on social media platforms and accordingly expanded its presence across various social media channels to further enhance brand awareness and reinforce its market position in the PRC. Given the relatively lower cost incurred on these platforms, this strategic shift in marketing approach contributed to a reduction in selling expenses to approximately RMB25.7 million for the year.

Administrative expenses

The administrative expenses grew from approximately RMB67.5 million for FY2022 to approximately RMB74.0 million for FY2023, and further to approximately RMB73.9 million for FY2024, primarily due to higher staffing costs and investments in operational infrastructure.

Finance costs

The finance costs of the Target Group were approximately RMB6.7 million for FY2022, which declined to approximately RMB6.5 million for FY2023, and further to approximately RMB4.6 million for FY2024, due to lower interest expense on lease liabilities and improved cash flow management.

Impairment losses on right-of-use assets and property, plant and equipment

The Target Group recorded impairment losses on right-of-use assets and property, plant and equipment of approximately RMB23.4 million, RMB8.5 million and RMB3.6 million for FY2022, FY2023 and FY2024 respectively. The losses were mainly attributed to the impairments on right-of-use assets, which represented leased school and office premises in the PRC with fixed payments over lease terms of 2 to 15 years. During FY2022 to FY2024, the management of the Target Group considered that there were uncertainties on the financial performances of several Training Institutions under the COVID-19 pandemic and hence, adopted a more prudent view on the business growth in conducting the relevant impairment assessment. As a result, impairment losses on right-of-use assets of approximately RMB22.3 million, RMB8.4 million and RMB3.6 million were recognised for FY2022, FY2023 and FY2024, respectively.

Net profit/loss

As a result of the above, the Target Group recorded net loss of approximately RMB44.3 million for FY2022 and net profit of approximately RMB28.6 million and RMB49.1 million for FY2023 and FY2024 respectively. The net profit margin for FY2023 and FY2024 are approximately 13.4%,and 21.7%, respectively.

FINANCIAL POSITION AND OTHER FINANCIAL INFORMATION

Trade and bills receivables and contract assets

Generally, the tuition fees are billed in advance to individual customers. The Target Group’s trading terms with its corporate customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three to six months. The Target Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management.

As at 31 December 2022, trade and bills receivables stood at approximately RMB12.0 million and contract assets amounted to approximately RMB12.1 million. Trade and bills receivables remained relatively stable at approximately RMB11.4 million as at 31 December 2023. Contract assets reduced to approximately RMB10.4 million, mainly attributable to the decrease in unbilled service rendered as at year end. As at 31 December 2024, trade and bills receivables increased to approximately RMB13.8 million, while contract assets declined significantly to approximately RMB6.6 million mainly as a result of the increase in proportion of billing of services rendered to customers as at year end.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables mainly represented advance payments to suppliers and deposits for operational needs. Prepayments, deposits and other receivables amounted to approximately RMB13.9 million as at 31 December 2022 and declined to approximately RMB11.5 million as at 31 December 2023, mainly attributable to decrease in advance payments and deposits as negotiated with various suppliers and vendors. As at 31 December 2024, prepayments, deposits and other receivables further decreased to approximately RMB9.0 million, which was mainly due to better cost management and the decrease in marketing expense during the year.

Cash and cash equivalents

The Target Group's cash position improved significantly over the period, reflecting strong operational cash flows and enhanced financial stability. As at 31 December 2022, cash and cash equivalents stood at approximately RMB7.6 million.

As at 31 December 2023, cash and cash equivalents surged to approximately RMB40.4 million, primarily due to strong revenue growth and higher cash inflows from customers. However, as at 31 December 2024, cash and cash equivalents decreased to approximately RMB14.3 million, mainly due to the consideration paid of approximately RMB50.5 million for acquiring a 90% equity interest in a subsidiary during the year. The acquired subsidiary is principally engaged in the provision of fire safety training services, which is the same as the fire safety training business operated by the Target Group.

Trade payables

Trade payables of the Target Group remained relatively stable at approximately RMB13.7 million, RMB11.5 million and RMB13.3 million as at 31 December 2022, 2023 and 2024, respectively.

Other payables and accruals

Other payables and accruals of the Target Group mainly represented outstanding obligations of the Target Group. Other payables and accruals amounted to approximately RMB66.7 million as at 31 December 2022 and remained stable at approximately RMB67.6 million as at 31 December 2023. Other payables and accruals substantially dropped to approximately RMB21.6 million as at 31 December 2024, mainly due to the settlement of consideration payable for the acquisition of a subsidiary in FY2024.

Contract liabilities

Contract liabilities of the Target Group represent the performance obligations that are unsatisfied (or partially unsatisfied) under the contracts with customers. As at 31 December 2022, contract liabilities of the Target Group were approximately RMB33.2 million, which were increased to approximately RMB38.4 million as at 31 December 2023 in line with the growth in the number of candidate enrolments. Contract liabilities substantially dropped to approximately RMB20.8 million as at 31 December 2024 as more performance obligations were satisfied as at year end.

Dividend

No dividend has been paid or declared by the Target Group during FY2022 to FY2024.

Human resources

As at 31 December 2024, the Target Group had 709 employees. Staff costs (including directors' remuneration) of the Target Group amounted to approximately RMB80.5 million, RMB77.8 million and RMB81.4 million for FY2022, FY2023 and FY2024, respectively. Staff remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee.

Liquidity and financial resources and borrowings

The Target Group finances its operations primarily through cash generated from its operating activities. As at 31 December 2024, the Target Group had cash and cash equivalents of approximately RMB14.3 million. All of the Target Group's cash and cash equivalents were denominated in RMB.

The Target Group has demonstrated a notable improvement in its financial position over the years. As at 31 December 2022, the Target Group recorded total liabilities of approximately RMB168.4 million and total deficit of approximately RMB22.2 million. As at 31 December 2023, the Target Group recorded total equity of approximately RMB10.8 million with a gearing ratio of 1,495.2%, reflecting a substantial increase in equity as a result of the Target Group recorded profit for the year and total comprehensive income and a reduction in total liabilities. As at 31 December 2024, the gearing ratio further improved to 198.0%, as the Target Group completed capital increment resulting in increase in total equity while reducing overall liabilities.

This trend highlights the Target Group's commitment to financial stability, prudent liability management, and a stronger equity base. The significant improvement in the equity position and the gearing ratio underscores the Target Group's reduced reliance on external liabilities and its ability to self-finance operations effectively.

Capital structure

As at 31 December 2022, 2023 and 2024, the capital structure of the Target Group comprised issued share capital and reserves.

Significant investments

As at 31 December 2022, 2023 and 2024, the Target Group did not hold any significant investments.

Material acquisitions and disposals

Save as disclosed in Appendix II to this supplemental circular, the Target Group did not have any material acquisitions or disposal of subsidiaries, associates or joint ventures for FY2022, FY2023 and FY2024, respectively.

Charges on the Target Group's assets

As at 31 December 2022, 2023 and 2024, none of the assets of the Target Group were pledged.

Foreign exchange exposure

During FY2022 to FY2024, the principal activities of the Target Group were conducted in the PRC and its income and expenses were denominated in RMB. In light of this, the Target Group was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

Contingent liabilities

As at 31 December 2022, 2023 and 2024, the Target Group did not have any material contingent liabilities.

The information set out in this Appendix does not form part of the Accountants' Reports on the Target Group, as set out in "Appendix II Accountants' Report on the Target Group", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' Report set out in "Appendix II Accountants' Report on the Target Group".

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. INTRODUCTION

The following unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the "**Group**") and the fire safety training services (the "**Fire Safety Training Business**") carried out by Qingda Oriental Fire-Fighting Technology Group Co., Ltd (the "**Target Company**") and its subsidiaries (the "**Target Subsidiaries**") and Qingda Oriental Education Technology Group Co., Ltd which carried out such Fire Safety Training Business (the Target Company, the Target Subsidiaries and the Fire Safety Training Business carried out by Qingda Oriental Education Technology Group Co., Ltd are collectively referred to as the "**Target Group**") (collectively referred to as the "**Enlarged Group**") (the "**Unaudited Pro Forma Financial Information**") is prepared by the directors of the Company (the "**Directors**"), in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effect of the following proposed acquisitions of the entire equity interest of the Target Company and the remaining 10% equity interest of Target Subsidiaries not owned by the Target Company (the "**Proposed Acquisition**").

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2024, the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2024, which have been extracted from the published annual report of the Company for the year ended 31 December 2024; and the audited combined statement of financial position of the Target Group as at 31 December 2024, the audited combined statement of profit or loss, the audited combined statement of comprehensive income and the audited combined statement of cash flows of the Target Group for the year ended 31 December 2024, which have been extracted from the accountants' report thereon set out in Appendix II of the Supplemental Circular, after making pro forma adjustments relating to the Proposed Acquisition that are (i) directly attributable to the Proposed Acquisition; and (ii) factually supportable, as if the Proposed Acquisition had been completed on 31 December 2024.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the financial position of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on 31 December 2024, nor purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Company for the year ended 31 December 2024 and with other financial information included elsewhere in the Supplemental Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 31 December 2024	The Target Group as at 31 December 2024	Total	Pro forma adjustment			Enlarged Group at 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)		(unaudited)	(unaudited)	(unaudited)	(unaudited pro forma)
	Note 1	Note 2		Note 3	Note 4	Note 6	
Non-current assets							
Property, plant and equipment	18,557	67,890	86,447				86,447
Right-of-use assets	1,094	16,291	17,385				17,385
Goodwill	2,320	—	2,320	334,898			337,218
Intangible assets	135	—	135	101,454			101,589
Deposits and other receivables	1,625	1,630	3,255				3,255
Deposits for purchase of property, plant and equipment	—	541	541				541
Deferred tax assets	21	—	21				21
Total non-current assets	23,752	86,352	110,104				546,456
Current assets							
Inventories	9,558	2,410	11,968				11,968
Trade and bills receivables and contract assets	15,627	20,584	36,211				36,211
Prepayments, deposit and other receivables	4,365	9,032	13,397				13,397
Due from a related company	698	—	698				698
Cash and cash equivalents	148,426	14,321	162,747	(87,000)			75,747
Total current assets	178,674	46,347	225,021				138,021
Current liabilities							
Trade payables	7,067	13,306	20,373				20,373
Other payables and accruals	4,529	21,598	26,127		127	3,558	29,812
Contract liabilities	—	20,780	20,780				20,780
Interest-bearing borrowings	—	326	326				326
Lease liabilities	1,083	17,880	18,963				18,963
Due to immediate holding company	906	—	906				906
Due to non-controlling interests	41	—	41				41
Tax payables	173	2,702	2,875				2,875
Total current liabilities	13,799	76,592	90,391				94,076
Net current assets/(liabilities)	164,875	(30,245)	134,630				43,945
Total assets less current liabilities	188,627	56,107	244,734				590,401

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP (CONTINUED)

	The Group as at 31 December 2024	The Target Group as at 31 December 2024	Total	Pro forma adjustment			Enlarged Group at 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)		(unaudited)	(unaudited)	(unaudited)	(unaudited pro forma)
	Note 1	Note 2		Note 3	Note 4	Note 6	
Non-current liabilities							
Interest-bearing borrowings	5,790	—	5,790				5,790
Convertible Bond	—	—	—	70,049	2,763		72,812
Lease liabilities	408	11,320	11,728				11,728
Deferred tax liabilities	8,486	254	8,740	25,364			34,104
	14,684	11,574	26,258				124,434
Net assets	173,943	44,533	218,476				465,967
Equity							
Paid-up capital	18,743	180,000	198,743	(177,200)			21,543
Reserves	131,797	(135,455)	(3,658)	431,139	(2,890)	(3,558)	421,033
	150,540	44,545	195,085				442,576
Non-controlling interests	23,403	(12)	23,391				23,391
Total equity	173,943	44,533	218,476				465,967

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ENLARGED GROUP

	The Group 2024	The Target Group 2024	Total	Pro forma adjustment			Enlarged Group 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited) Note 1	(audited) Note 2		(unaudited) Note 4	(unaudited) Note 5	(unaudited) Note 6	(unaudited pro forma)
Revenue	84,460	226,975	311,435				311,435
Cost of sales and services provided	(59,392)	(61,817)	(121,209)				(121,209)
Gross profit	25,068	165,158	190,226				190,226
Other income and gains	4,279	3,670	7,949				7,949
Selling and distribution expenses	(3,581)	(25,712)	(29,293)				(29,293)
Administrative expenses	(14,555)	(73,879)	(88,434)	(127)	(11,230)		(99,791)
Research and development costs	—	(7,850)	(7,850)				(7,850)
Other expenses	—	(2,827)	(2,827)			(3,558)	(6,385)
Finance costs	(234)	(4,578)	(4,812)	(2,763)			(7,575)
Impairment of goodwill	(1,891)	—	(1,891)				(1,891)
(Provision for)/Reversal of expected credit loss on trade receivables, contract assets and other receivables, net	(92)	427	335				335
Impairment losses on right-of-use assets and property, plant and equipment	—	(3,590)	(3,590)				(3,590)
Profit before tax	8,994	50,819	59,813				42,135
Income tax (expense)/credit	874	(1,670)	(796)		2,807		2,011
Profit for the year	9,868	49,149	59,017				44,146
Attributable to:							
Owners of the Company	4,350	49,094	53,444	(2,890)	(8,423)	(3,558)	38,573
Non-controlling interests	5,518	55	5,573				5,573
	9,868	49,149	59,017				44,146

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group as at 31 December 2024	The Target Group as at 31 December 2024	Total	Pro forma adjustment			Enlarged Group at 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)		(unaudited)	(unaudited)	(unaudited)	(unaudited pro forma)
	Note 1	Note 2		Note 4	Note 5	Note 6	
PROFIT FOR THE YEAR	9,868	49,149	59,017	(2,890)	(8,423)	(3,558)	44,146
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	—	—	—				—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9,868	49,149	59,017				44,146
Profit attributable to:							
Owners of the Company	4,350	49,094	53,444	(2,890)	(8,423)	(3,558)	38,573
Non-controlling interests	5,518	55	5,573				5,573
	9,868	49,149	59,017				44,146

E. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group as at 31 December 2024	The Target Group as at 31 December 2024	Total	Pro forma adjustment				Enlarged Group as at 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited pro forma)
	Note 1	Note 2		Note 3	Note 4	Note 5	Note 6	
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before tax	8,994	50,819	59,813		(2,890)	(11,230)	(3,558)	42,135
Adjustments for:								
Finance costs	234	4,578	4,812					4,812
Depreciation of property, plant and equipment	1,270	8,436	9,706					9,706
Depreciation of right-of-use assets	547	10,069	10,616					10,616
Amortisation of intangible assets	180	71	251			11,230		11,481
Impairment of right-of-use assets and property, plant and equipment	—	3,590	3,590					3,590
Impairment of goodwill	1,891	—	1,891					1,891
Interest on convertible bond	—	—			2,763			2,763
Loss on disposal of property, plant and equipment	—	438	438					438
Gain on termination of lease	(15)	(2,722)	(2,737)					(2,737)
Fair value of land use right	1,840	—	1,840					1,840
(Provision for)/Reversal of expected credit loss ("**ECL**") on trade receivables, contract assets and other receivables, net	92	(427)	(335)					(335)
Interest income	(2,284)	(50)	(2,334)					(2,334)
Realised gains on financial assets at fair value through profit or loss	(1,001)	(67)	(1,068)					(1,068)
	11,748	74,735	86,483					82,798
(Increase)/Decrease in inventories	(1,068)	732	(336)					(336)
(Increase)/Decrease in trade and bills receivables	(5,488)	1,513	(3,975)					(3,975)
(Increase)/Decrease in prepayments, deposits and other receivables	(591)	3,775	3,184					3,184
(Decrease)/Increase in trade payables	(358)	1,822	1,464					1,464
(Decrease)/Increase in other payables and accruals	(148)	3,359	3,211				3,558	6,769
Decrease in contract liabilities	—	(17,614)	(17,614)					(17,614)
Cash flows from operations	4,095	68,322	72,417					72,290
Interest received	—	50	50					50
Corporate income tax paid	(674)	(3,847)	(4,521)					(4,521)
Net cash flows from operating activities	3,421	64,525	67,946		(127)			67,819

E. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP (CONTINUED)

	The Group as at 31 December 2024	The Target Group as at 31 December 2024	Total	Pro forma adjustment				Enlarged Group as at 31 December 2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited) Note 1	(audited) Note 2		(unaudited) Note 3	(unaudited) Note 4	(unaudited) Note 5	(unaudited) Note 6	(unaudited pro forma)
Net cash flows from operating activities	3,421	64,525	67,946		(127)			67,819
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of property, plant and equipment	(797)	(4,348)	(5,145)					(5,145)
Interest received	2,284	—	2,284					2,284
Proceeds from disposal of property, plant and equipment	—	686	686					686
Consideration payable for acquisition of a subsidiary	—	(50,480)	(50,480)					(50,480)
Net cash outflow on acquisitions	—	—	—	(72,679)				(72,679)
Net amount received from disposal of financial assets at fair value through profit or loss	1,001	67	1,068					1,068
Net cash flows from/(used in) investing activities	2,488	(54,075)	(51,587)					(124,266)
CASH FLOWS FROM FINANCING ACTIVITIES								
New interest-bearing borrowings	—	334	334					334
Repayment of interest-bearing borrowings	—	(8)	(8)					(8)
Principal portion of lease payments	(464)	(18,278)	(18,742)					(18,742)
Interest portion of lease payments	(55)	(3,148)	(3,203)					(3,203)
Interest paid on convertible bond	—	—	—		(2,763)			(2,763)
Interest paid	(179)	(6)	(185)					(185)
Net cash outflows from the Other Investments	—	(15,400)	(15,400)					(15,400)
Dividend paid to non-controlling interests	(176)	—	(176)					(176)
Net cash flows used in financing activities	(874)	(36,506)	(37,380)					(40,143)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,035	(26,056)	(21,021)					(96,590)
Cash and cash equivalents at beginning of year	143,391	40,377	183,768					183,768
CASH AND CASH EQUIVALENTS AT END OF YEAR	148,426	14,321	162,747					87,178
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS								
Cash and bank balances	148,426	14,321	162,747					87,178

Notes to the Unaudited Pro Forma Financial Information:

(1) The figures were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2024, the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2024 as set out in the published annual report of the Company for the year ended 31 December 2024.

(2) The figures were extracted from the audited combined statements of financial position of the Target Group as at 31 December 2024, the audited combined statement of profit or loss, the audited combined statement of comprehensive income and the audited combined statement of cash flows of the Target Group for the year ended 31 December 2024 as set out in Appendix II to the Supplemental Circular. These figures presented only the information relevant to the Fire Safety Training Business during the Relevant Periods, the financial position and operating results attributable to the Fire Safety Training Business including those carried out by the Vendor during the Relevant Periods are included as if they were carried out by the Target Company and its subsidiaries.

(3) Pursuant to the sales and purchase agreement dated 8 December 2024 entered into between Qingda Oriental Education Technology Group Co., Ltd (the "**Vendor**") and the Company, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire entire equity interest in Qingda Oriental Fire-Fighting Technology Group Co., Ltd and the remaining 10% of the total equity interests in the subsidiaries of the Target Company held by the Vendor at the total consideration of RMB200,000,000, which will be satisfied as to (i) RMB28,000,000 by the allotment and issue of the 28,000,000 consideration shares (the "**Consideration Shares**") to the Vendor or its nominee(s); (ii) RMB85,000,000 by the issue of convertible bonds (the "**Convertible Bond**") by the Company to the Vendor or its nominee(s); and (iii) RMB87,000,000 by cash. 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 extraordinary general meeting. The Convertible Bond shall mature on the fifth anniversary of the date of the issue and with zero coupon and does not bear interest.

The following table summarises the fair value of consideration, the net amounts of the identifiable assets acquired and liabilities assumed and goodwill recognised as if the Proposed Acquisition had taken place at 31 December 2024:

	RMB'000
Fair value of consideration	
— Cash consideration	87,000
— Consideration Shares *(note a)*	132,916
— Convertible Bond *(note b)*	235,617
	455,533
Net identifiable assets acquired	44,533
Non-controlling interests	12
Fair value adjustments *(note c)*	101,454
Deferred tax liabilities on fair value adjustments	(25,364)
	120,635
Goodwill *(note d)*	334,898

The fair value of the identifiable assets acquired and liabilities assumed recognised at the date assuming the Proposed Acquisition had been completed as at 31 December 2024 were determined by reference to a valuation conducted by Flagship Appraisals and Consulting Limited ("**Flagship**"), an independent professional valuer not connected to the Enlarged Group.

For the purpose of preparing the unaudited pro forma consolidated statement of financial position, the directors of the Company assumed that apart from the assets and liabilities subject to the unaudited pro forma fair value adjustments stated above, the unaudited pro forma fair values of the remaining identifiable assets and liabilities of the Target Group are approximate to their respective carrying amounts as at 31 December 2024.

Since the fair value of the identifiable net assets of the Target Group at the date of the actual completion of the Proposed Acquisition may be substantially different from the current fair value adjustments estimated for the purpose of the unaudited pro forma information of the Enlarged Group, the amounts of the fair value adjustments, deferred tax impact and goodwill recognised at the actual completion date of the Proposed Acquisition may be different from the amounts presented in the unaudited pro forma consolidated statement of financial position.

Note a: The fair value of issuance of 28,000,000 Consideration Shares is estimated to be RMB132,916,000, which is determined by using market price of HK$5.05 per share. The market price represented the closing price at 31 December 2024. The directors of the Company consider the closing price at 31 December 2024 is more appropriate to illustrate the effect of the Proposed Acquisition. The aggregate nominal value of share capital for the Consideration Share is approximately RMB2,800,000.

Note b: The Convertible Bond is zero coupon and does not bear interest. The conversion price is RMB1.0 per share (the "**Conversion Share**"), subject to adjustments in accordance with the terms and conditions of the Convertible Bond. The Conversion Shares will in all respects rank pari passu with the H Shares in issue on the relevant conversion date. A total of 85,000,000 Conversion Shares will be issued if the Convertible Bond is fully converted.

The Convertible Bond is considered as a compound instrument with (i) liability component and (ii) equity component, the conversion feature.

With reference to a professional valuation conducted by Flagship, the directors of the Company estimated that the fair value of the Convertible Bond as at 31 December 2024 is approximately RMB235,617,000. The Convertible Bond comprises of i) liability component amounted to approximately RMB70,049,000 and ii) equity component of approximately RMB165,568,000. The fair value of the Convertible Bond as a whole is estimated by using binomial option pricing model. Key parameters used in the binomial option pricing model include the closing market price of the Company's shares on 31 December 2024 of HK$5.05, volatility of 67.08% and yield to maturity of 3.94%. The fair value of the liability component is estimated by discounting the estimated contractual cash flows over the contractual terms of the Convertible Bond at a rate of 3.94% as at 31 December 2024.

Note c: The unaudited pro forma fair value adjustments on intangible assets are related to customer relationships, technology knowhow and trademark of the Target Group, the fair value of which is estimated based on a professional valuation conducted by Flagship, as at 31 December 2024.

The unaudited pro forma fair value of customer relationships and technology knowhow are estimated to be RMB2,687,000 and RMB53,552,000 respectively based on multi-period excess earnings method. The unaudited pro forma fair value of trademark is estimated at RMB45,215,000 based on relief from royalty method.

Note d: For the purpose of the pro forma consolidated financial statements of financial position, the goodwill of RMB334,898,000 arising from the Proposed Acquisition, which represents the amount by which the consideration exceeds the fair value of the identifiable assets and liabilities of the Target Group to be acquired and assumed, is computed as if the Proposed Acquisition had been completed on 31 December 2024. The amount of goodwill is subject to change when the fair value of the Target Group therein is finalised on the date of actual completion of the Proposed Acquisition.

The following table summaries details of the adjustments on the share capital of the Enlarged Group:

	RMB'000
Elimination of paid up capital of the Target Group	(180,000)
Issuance of 28,000,000 Consideration Shares	2,800
	(177,200)

The following table summaries details of the adjustments on the reserves of the Enlarged Group:

	RMB'000
Elimination of pre-acquisition reserve of the Target Group	(135,455)
Issuance of 28,000,000 Consideration Shares	(130,116)
Recognition of equity component of Convertible Bond	(165,568)
	(431,139)

The following table summaries the net cash outflow of the Proposed Acquisition:

	RMB'000
Cash consideration	87,000
Cash and cash equivalents of the Target Group acquired	(14,321)
Net cash outflow from the Proposed Acquisition	72,679

(4) This represents the adjustment on recognition of transaction cost and imputed interest on the Convertible Bond to be incurred by the Company for the Proposed Acquisition. The amount is subject to change upon the actual completion of the Proposed Acquisition. This adjustment of the part of transaction costs is not expected to have continuing effect on the Enlarged Group and the imputed interest on Convertible Bond is expected to have a continuing effect on the Enlarged Group.

(5) This represents the adjustments on amortisation in respect of the fair value adjustments recognised on the date of completion of the Proposed Acquisition and the corresponding deferred tax effect for the year ended 31 December 2024. The adjustment on amortisation of intangible assets is calculated on straight-line basis over the useful lives as below:

Customer relationship	5 years
Technology knowhow	5 years
Trademark	10 years

This adjustment is expected to have a continuing effect on the Enlarged Group.

(6) For the purpose of the Unaudited Pro Forma Financial Information, the direct expenses and other professional services related to the Proposed Acquisition are estimated to be total of approximately RMB5,440,000, of which approximately RMB1,882,000 has been paid and recognised as expenses in profit or loss in the consolidated financial statement of the Company for the year ended 31 December 2024, according to respective quotations from the professional parties, which should be charged to the profit or loss.

(7) For the purpose of the pro forma consolidated statement of cash flows, only adjustments directly attributable to the transaction concerned and no relating to future events or decisions are taken into account. The directors of the Company are of the opinion that, after taking into account of the Enlarged Group's internal resources, cash flow from operations, the facilities presently available to the Group, the effect of the Proposed Acquisition, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this supplemental circular in the absence of unforeseen circumstances.

(8) Apart from the Proposed Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2024.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

FORVIS MAZARS CPA LIMITED
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THE BOARD OF DIRECTORS OF SHANGHAI QINGPU FIRE-FIGHTING EQUIPMENT CO., LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") and the fire safety training services (the "**Fire Safety Training Business**") carried out by Qingda Oriental Fire-Fighting Technology Group Co., Ltd (the "**Target Company**") and its subsidiaries (the "**Target Subsidiaries**") and Qingda Oriental Fire-Fighting Technology Group Co., Ltd which carried out such Fire Safety Training Business (the Target Company, the Target Subsidiaries and the Fire Safety Training Business carried out by Qingda Oriental Fire-Fighting Technology Group Co., Ltd are collectively referred to as the "**Target Group**") (collectively referred to as the "**Enlarged Group**") prepared by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2024, the unaudited pro forma statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-12 of the supplemental circular dated 30 May 2025 (the "**Supplemental Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in pages IV-1 to IV-12 of the Supplemental Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire equity interest of the Target Company and the remaining 10% equity interest of Target Subsidiaries not owned by the Target Company (the "**Proposed Acquisition**") on the Group's financial position as at 31 December 2024 and the Group's financial performance and cash flows for the year ended 31 December 2024 as if the Proposed Acquisition had taken place at 31 December 2024 and 1 January 2024 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors from the Company's consolidated financial statements for the year ended 31 December 2024, on which an annual report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting accountant's independence and quality management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*" which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Supplemental Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 December 2024 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong, 30 May 2025

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for FY2022, FY2023 and FY2024, details of which are set out in the annual reports of the Company for FY2022, FY2023 and FY2024, respectively. Unless otherwise defined in this supplemental circular or the context otherwise requires, capitalised terms used in this appendix shall have the same meanings as those ascribed in the abovementioned annual reports of the Company, as the case may be.

1. FY2022

BUSINESS REVIEW

The Group's fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Group can meet the diversified needs of the customers. In addition, the Group's fire extinguishers for non-marine use are granted the Certificate for Product Type Approval by the China Certification Center for Fire Products and its fire extinguishers for marine use are granted the Certificates of Type Approval by the China Classification Society, Shanghai Branch. The Group's pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the United States of America and the European Union.

Since the COVID-19 outbreak, the PRC has been actively working to prevent and control its spread. Our Group has been cooperating with the government in this effort while also taking measures to minimize economic losses. Unfortunately, during FY2022, Shanghai City was locked down for over two months which resulted in a suspension of our business activities there. This had an adverse effect on our company's results for FY2022. However, as business activities have resumed and picked up in the second half of the Year, we are pleased to report that we have achieved a profitable and sustainable result.

FINANCIAL REVIEW

Revenue

For FY2022, the Group recorded a revenue of approximately RMB62,198,000 (year ended 31 December 2021: RMB72,830,000), representing a decrease of approximately 14.60% over last year mainly because of prevention and control of the COVID-19 being taken place during which most of the business activities have been suspended for over two months.

Gross profit

For FY2022, the Group recorded overall gross profit of approximately RMB16,909,000 (year ended 31 December 2021: RMB23,358,000). The gross profit ratio decreased by 4 percentage points from approximately 32% for the year ended 31 December 2021 to approximately 27% for FY2022. This decrease was because several high profit margin contracts had not yet been carried out due to COVID-19.

Other income and gains

Other income and gains decreased from approximately RMB66,399,000 for the year ended 31 December 2021 to approximately RMB4,327,000 for FY2022 mainly due to there was a gain on surrender of investment properties under land resumption being recognized for the year ended 31 December 2021.

Selling and distribution expenses

For FY2022, the Group's selling and distribution expenses increased to approximately RMB3,301,000 from RMB2,511,000, representing an increase of approximately 32%. This was mainly due to the increase in salaries and depreciation during the year.

Administrative expenses

For FY2022, the Group's administrative expenses amounted to approximately RMB10,350,000, (year ended 31 December 2021: approximately RMB14,678,000), representing a decrease of approximately 30%. This was mainly due to there were property, plant and equipment and other receivables being written-off during the year ended 31 December 2021.

Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2021: Nil).

According to the Announcement of the State Administration of Taxation on Issues Relating to Implementation of Inclusive Income Tax Relief Policy for Small Low-profit Enterprises, a lower corporate income tax ("**CIT**") rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, (i) the first RMB1,000,000 of assessable profits (the "**1st Assessable Profits**") of these subsidiaries is effective taxable at 2.5% (i.e. 20% CIT rate on 12.5% of the 1st Assessable Profits) (2021: 2.5% (i.e. 20% CIT rate on 12.5% of the 1st Assessable Profits)); and (ii) the remaining assessable profits not over RMB3,000,000 (the "**Remaining Assessable Profits**") is taxable at 5% (i.e. 20% CIT rate on the 25% of the Remaining Assessable Profits) (2021: 10% (i.e. 20% CIT rate on the 50% of the Remaining Assessable Profits). Certain of the Company's subsidiaries have been designated as a small-scale enterprise.

Under the Corporate Income Tax Law, the CIT for other companies in the Group is calculated at a rate of 25% (2021: 25%) on the Group's estimated assessable profits for FY2022.

Tax credit of the Group was provided at 20% for FY2022 (effective tax rate for the year ended 31 December 2021: 8%). It was mainly due to the utilisation of certain tax loss brought forward from prior periods to offset the assessable profits generated during the year and discharge of deferred tax liabilities and recognise of deferred tax assets.

Non-controlling interests

For FY2022, profit for the year attributable to non-controlling interests is approximately RMB3,580,000 (year ended 31 December 2021: RMB6,891,000).

Profit attributable to owners of the Company

For FY2022, the Group recorded profit for the year attributable to the owners of the Company of approximately RMB5,586,000 (year ended 31 December 2021: RMB59,750,000). The decrease was primarily attributable to the gain on surrender of investment properties under land resumption for the year ended 31 December 2021.

Net current assets

As at 31 December 2022, the Group had current assets of approximately RMB150,107,000, based on which, the current ratio was 10.6 (31 December 2021: 11.4). The decrease was mainly caused by the increase in cash and cash equivalents and trade and bills receivables as a result of cash inflow from operating activities. The current liabilities increased from RMB12,562,000 as at 31 December 2021 to RMB14,386,000 as at 31 December 2022 mainly attributable to the increase in trade payables. Current assets as at 31 December 2022 mainly comprised of inventories of approximately RMB11,640,000 (31 December 2021: RMB12,518,000), trade and bills receivables of approximately RMB8,081,000 (31 December 2021: RMB5,610,000), prepayments, deposits and other receivables of approximately RMB1,749,000 (31 December 2021: RMB2,858,000) and cash and cash equivalents of approximately RMB129,640,000 (31 December 2021: RMB121,001,000). The inventories turnover days for the year was 94 days (31 December 2021: 93 days). The increase was mainly because of the decrease in inventories level of aquarium products. Trade and bills receivables increased by 44% mainly because of more sales incurred near the year ended 31 December 2022 as compared to year ended 31 December 2021. Current liabilities mainly comprised of trade payables of approximately RMB5,750,000 (31 December 2021: RMB4,184,000), the increase was due to the continuing increase in production of fire-fighting equipment. Other payables and accruals decreased by 0.1% to approximately RMB5,872,000 (31 December 2021: RMB5,877,000) which is stable.

GEARING RATIO

The Group's gearing ratio as at 31 December 2022 was 21% (31 December 2021: 23%), which is expressed as a percentage of the total liabilities divided by the total equity. The decrease in gearing ratio was mainly due to the decrease in interest-bearing bank borrowings, secured, deferred tax liabilities and the increase in total equity as a result of profit during the year.

CHARGE ON ASSETS OF THE GROUP

As detailed in note 24 to the consolidated financial statements, the interest-bearing bank borrowings are pledged by the Tian Yi Properties, with carrying amount of RMB14,223,000 as at 31 December 2022.

COMMITMENTS

There were no significant commitments at 31 December 2022.

CONTINGENT LIABILITIES

There were no significant contingent liabilities at 31 December 2022.

LITIGATIONS

There were no significant litigation at 31 December 2022.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had net assets of approximately RMB150,107,000 (31 December 2021: RMB140,021,000). The Group's operations are financed principally by internal sources, secured interest-bearing bank borrowings and shareholders' equity.

As at 31 December 2022, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "**Facility**") for the period expiring on 30 May 2024 (2021: 30 May 2023). As at 31 December 2022 and 2021, none of the Facility has been drawn down.

EMPLOYEES

As at 31 December 2022, the Group had 90 employees (2021: 90 employees). The number of employees for 2022 is the same as 2021. Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme. The employee benefits expenses (including directors' and supervisors' remuneration) incurred by the Group for FY2022 was approximately RMB7.9 million compared to approximately RMB8.3 million for FY2021.

Under relevant local government regulations, the Group is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Group has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Group has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Group has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Group's relationship with its employees to be good.

2. FY2023

BUSINESS REVIEW

The Group's fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Group can meet the diversified needs of the customers. In addition, the Group's manufacturing of fire extinguisher products are granted with the Certificates of Type Approval by the China Classification Society, Shanghai Branch. The Group's pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the United States of America and the European Union.

Since most COVID-19 restrictions were lifted in 2023, there was a growing demand for pressure cylinders across various industries such as manufacturing, healthcare, and energy, providing ample opportunities for the Group to generate more sales as compared to FY2022.

FINANCIAL REVIEW

Revenue

For FY2023, the Group recorded a revenue of approximately RMB74,137,000 (FY2022: RMB62,198,000), representing an increase of approximately 19% over the last year mainly because of the increase in sales of pressure vessels, aquarium products and marine fire-fighting equipment as Shanghai City, where the office and factories of the Group are located, was under mandatory lockdown during April 2022 to June 2022, which led to lower sales for FY2022.

Gross profit

For FY2023, the Group recorded an overall gross profit of approximately RMB21,550,000 (FY2022: RMB16,909,000). The gross profit ratio was approximately 29%, which is stable comparing to approximately 27% for FY2022.

Other income and gains

Other income and gains increased from approximately RMB4,327,000 for FY2022 to approximately RMB4,950,000 for FY2023 mainly due to the increase in realized gains on financial assets at fair value through profit or loss.

Selling and distribution expenses

For FY2023, the Group's selling and distribution expenses was decreased to approximately RMB3,096,000 from RMB3,301,000, representing a decrease of approximately 6%. This was mainly due to decrease in the transportation cost and depreciation cost during FY2023.

Administrative expenses

For FY2023, the Group's administrative expenses amounted to approximately RMB11,291,000 (FY2022: approximately RMB10,350,000), representing an increase of 9% comparing to FY2022. The increase in administrative expenses was mainly due to the increase in general administrative expenses for operation purpose.

Finance cost

Finance costs for FY2023 amounted to RMB368,000 (FY2022: RMB426,000), representing a decrease of approximately 14%. The finance costs mainly comprised of interest expenses for the bank borrowings. The decrease in finance costs was in line with the decrease in the outstanding principal of the bank borrowings during the year.

Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2022: Nil).

According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower CIT rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the subsidiaries qualified as small scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits) for FY2023. For FY2022, (i) the first RMB1,000,000 of assessable profits (the "**1st Assessable Profits**") of these subsidiaries were effectively taxable at 2.5% (i.e. 20% CIT rate on 12.5% of the 1st Assessable Profits); and (ii) the remaining assessable profits not over RMB3,000,000 (the "**Remaining Assessable Profits**") were taxable at 5% (i.e. 20% CIT rate on the 25% of the Remaining Assessable Profits). Certain of the Company's subsidiaries have been designated as small scale enterprises.

Under the Corporate Income Tax Law, the CIT for other companies in the Group is calculated at a rate of 25% (2022: 25%) on the respective companies' estimated assessable profits for FY2023.

Non-controlling interests

For FY2023, profit for the year attributable to non-controlling interests is approximately RMB2,956,000 (FY2022: RMB3,580,000).

Profit attributable to owners of the Company

For FY2023, the Group recorded profit for the year attributable to the owners of the Company of approximately RMB8,521,000 (FY2022: RMB5,586,000). The increase was primarily attributable to the increase in revenue.

Net current assets

As at 31 December 2023, the Group had current assets of approximately RMB167,036,000, based on which, the current ratio was 11.9 (31 December 2022: 10.6). The increase was mainly caused by the increase in cash and cash equivalents as a result of cash inflow from operating activities. The current liabilities decreased from RMB14,386,000 as at 31 December 2022 to RMB13,975,000 as at 31 December 2023 mainly attributable to the decrease in other payables and accruals. Current assets as at 31 December 2023 mainly comprised of inventories of approximately RMB8,490,000 (31 December 2022: RMB11,640,000), trade and bills receivables of approximately RMB10,231,000 (31 December 2022: RMB8,081,000), prepayments, deposits and other receivables of approximately RMB4,226,000 (31 December 2022: RMB1,749,000) and cash and cash equivalents of approximately RMB143,391,000 (31 December 2022: RMB129,640,000). The inventories turnover days for the year was 61 days (31 December 2022: 96 days). The decrease was mainly because of the decrease in inventories level of aquarium products. Trade and bills receivables increased by 27% mainly due to two months slowing down sales because of the COVID-19 impact during the year 2022, which did not occur any during the year 2023. Current liabilities mainly comprised of trade payables of approximately RMB7,425,000 (31 December 2022: RMB5,750,000), the increase was due to the increase in sales of marine fire-fighting equipment. Other payables and accruals decreased by 20% to approximately RMB4,677,000 (31 December 2022: RMB5,872,000) mainly due to the decrease in value added tax and other tax payables and advances from customers.

GEARING RATIO

The Group's gearing ratio as at 31 December 2023 was 19% (31 December 2022: 21%), which is expressed as a percentage of the total liabilities divided by the total equity. The gearing ratio was stable comparing to FY2022.

CHARGE ON ASSETS OF THE GROUP

As detailed in note 24 to the consolidated financial statements, the interest-bearing bank borrowings are secured by the pledge of four of the Tian Yi Properties, with carrying amount of RMB8,270,000 as at 31 December 2023.

COMMITMENTS

There were no significant commitments at 31 December 2023.

CONTINGENT LIABILITIES

There were no significant contingent liabilities at 31 December 2023.

LITIGATIONS

There were no significant litigation at 31 December 2023.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had net assets of approximately RMB163,024,000 (31 December 2022: RMB150,107,000). The Group's operations are financed principally by internal sources, secured interest-bearing bank borrowings and shareholders' equity.

As at 31 December 2023, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "**Facility**") for the period expiring on 30 May 2025 (2022: 30 May 2024). As at 31 December 2023 and 2022, none of the Facility has been drawn down.

EMPLOYEES

As at 31 December 2023, the Group had 84 employees (2022: 90 employees). Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme. The employee benefits expenses (including directors' and supervisors' remuneration) incurred by the Group for FY2023 was approximately RMB9.4 million compared to approximately RMB7.9 million for FY2022.

Under relevant local government regulations, the Group is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Group has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Group has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Group has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Group's relationship with its employees to be good.

3. FY2024

BUSINESS REVIEW

The Group's fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Group can meet the diversified needs of the customers. In addition, the Group's manufacturing of fire extinguisher products are granted with the Certificates of Type Approval by the China Classification Society, Shanghai Branch. The Group's pressure cylinders have obtained the manufacturing licence in the PRC and they meet the quality standards and requirements of the United States of America and the European Union.

In 2024, the Group reinforced its market leadership through a diversified product portfolio and robust manufacturing capabilities. Its fire extinguisher products — available in carbon dioxide, water-based, and dry powder variants — meet a broad range of customer needs and are backed by Certificates of Type Approval from the China Classification Society, Shanghai Branch, which underscore stringent quality and safety standards.

The Group's pressure cylinders are manufactured under a valid licence in the PRC and conform to the quality requirements of both the United States and the European Union. This commitment to international standards has bolstered the Group's competitiveness in domestic and export markets.

In addition to its core fire safety offerings, the Group manufactures and sells pressure vessels, provides fire technology inspection services, and installs marine fire-fighting equipment. Ancillary segments such as the sale of aquarium products and property investments have also contributed to revenue. These non-core operations are continuously reviewed to ensure they complement the Group's primary focus on fire safety solutions without compromising overall portfolio efficiency.

Overall, the Group's strong operational performance and adherence to rigorous quality standards position it as a reliable provider of comprehensive fire safety solutions in a competitive industry.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2024, the Group recorded revenue of approximately RMB84,460,000 (year ended 31 December 2023: RMB74,137,000), representing an increase of approximately 13.9% over last year mainly because of the increase in sales of aquarium products and marine fire-fighting equipment.

Gross profit

For the year ended 31 December 2024, the Group recorded overall gross profit of approximately RMB25,068,000 (year ended 31 December 2023: RMB21,550,000). The gross profit ratio was approximately 29.7%, which is stable comparing to approximately 29.1% for the year ended 31 December 2023.

Other income and gains

Other income and gains decreased from approximately RMB4,950,000 for the year ended 31 December 2023 to approximately RMB4,279,000 for the year ended 31 December 2024 mainly due to the decrease in interest income.

Selling and distribution expenses

For the year ended 31 December 2024, the Group's selling and distribution expenses increased to approximately RMB3,581,000 from RMB3,096,000, representing an increase of approximately 15.7%. This was mainly due to the increase in transportation costs and staff costs during the year 2024.

Administrative expenses

For the year ended 31 December 2024, the Group's administrative expenses amounted to approximately RMB14,555,000, (year ended 31 December 2023: approximately RMB11,291,000), representing an increase of 28.9% comparing to the year ended 31 December 2023. The increase in administrative expenses was mainly due to higher general administrative costs for operational purposes and increased legal and professional fees related to corporate matters of the Group.

Finance costs

Finance costs for the year ended 31 December 2024 amounted to RMB234,000 (year ended 31 December 2023: RMB368,000), representing a decrease of approximately 36.4%. The finance costs mainly consisted of interest expenses on bank borrowings. The decrease in finance costs was mainly due to the reduction of interest rate charged by the bank.

Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2023: Nil).

According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower corporate income tax ("**CIT**") rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the subsidiaries qualified as small scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits) for the year ended 31 December

2024 and 2023. CIT for other companies in the Group is calculated at a rate of 25% (2023: 25%) on the respective companies' estimated assessable profits for the years ended 31 December 2024 and 2023.

Non-controlling interests

For the year ended 31 December 2024, profit for the year attributable to non-controlling interests is approximately RMB5,518,000 (year ended 31 December 2023: RMB2,956,000).

Profit attributable to the owners of the Company

For the year ended 31 December 2024, the Group recorded profit for the year attributable to the owners of the Company of approximately RMB4,350,000 (year ended 31 December 2023: RMB8,521,000). The decrease was primarily attributable to the impairment of goodwill related to the Marine fire-fighting equipment cash-generating unit. This goodwill was originated from the acquisition of Shanghai An Hang in 2016 and represents the excess of the purchase price over the fair value of the acquired net assets.

Net current assets

As at 31 December 2024, the Group had current assets of approximately RMB178,674,000, based on which, the current ratio was 12.9 (31 December 2023: 11.9). The increase was mainly caused by the increase in cash and cash equivalents and trade and bills receivables. The current liabilities decreased from RMB13,975,000 as at 31 December 2023 to RMB13,799,000 as at 31 December 2024 mainly attributable to the net of the decrease in trade payables and the increase in lease liabilities. Current assets as at 31 December 2024 mainly comprised of inventories of approximately RMB9,558,000 (31 December 2023: RMB8,490,000), trade and bills receivables of approximately RMB15,627,000 (31 December 2023: RMB10,231,000), prepayments, deposits and other receivables of approximately RMB4,365,000 (31 December 2023: RMB4,226,000) and cash and cash equivalents of approximately RMB148,426,000 (31 December 2023: RMB143,391,000). The inventories turnover days for the year was 63 days (31 December 2023: 61 days). Trade and bills receivables increased by 52.7% mainly due to the increase in sales of aquarium products and marine fire-fighting equipment. Current liabilities mainly comprised of trade payables of approximately RMB7,067,000 (31 December 2023: RMB7,425,000), other payables and accruals of approximately RMB4,529,000 (31 December 2023: RMB4,677,000) and lease liabilities of approximately RMB1,083,000 (31 December 2023: RMB805,000).

GEARING RATIO

The Group's gearing ratio as at 31 December 2024 was 16.4% (31 December 2023: 18.9%), which is expressed as a percentage of the total liabilities divided by the total equity. The gearing ratio was lower comparing to the year ended 31 December 2023 reflecting improved financial stability.

CHARGE ON ASSETS OF THE GROUP

As detailed in note 24 to the consolidated financial statements, the interest-bearing bank borrowings are secured by the pledge of four building properties, with carrying amount of RMB7,765,000 as at 31 December 2024 (31 December 2023: RMB8,270,000).

COMMITMENTS

Save as those as detailed in note 32(d) to the consolidated financial statements, there were no significant commitments at 31 December 2024.

CONTINGENT LIABILITIES

There were no significant contingent liabilities at 31 December 2024.

LITIGATIONS

There were no significant litigation at 31 December 2024.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2024, the Group had net assets of approximately RMB173,943,000 (31 December 2023: RMB163,024,000). The Group's operations are financed principally by internal sources, secured interest-bearing bank borrowings and shareholders' equity.

As at 31 December 2024, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "**Facility**") for the period expiring on 30 May 2026 (2023: 30 May 2025). As at 31 December 2024 and 2023, none of the Facility has been drawn down.

EMPLOYEES

As at 31 December 2024, the Group had 98 employees (2023: 84 employees). Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme. The employee benefits expenses (including directors' and supervisors' remuneration) incurred by the Group for FY2024 was approximately RMB10.3 million compared to approximately RMB9.4 million for FY2023.

Under relevant local government regulations, the Group is required to make contributions to a central pension scheme operated by the local municipal government for all qualified employees in the PRC. The Group has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Group has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Group has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Group's relationship with its employees to be good.

The following is the full text of a valuation report prepared for the purpose of incorporation in this supplemental circular received from Flagship Appraisals and Consulting Limited, an independent valuer, in connection with its valuation of Target Equity Interest.

Flagship Appraisals and Consulting Limited
Unit 705, BLK A
New Mandarin Plaza
14 Science Museum Road
Kowloon, Hong Kong

LETTER OF OPINION

The Board of Directors
Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.
1988 Jihe Road
Hua Xin Town
Qingpu District, Shanghai
People's Republic of China

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest in Qingda Oriental Fire-Fighting Technology Group Co., Ltd and its Subsidiaries

In accordance with the instruction from Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "**Company**"), we understand that the Company is considering acquiring 100% equity interest (the "**Target Equity Interest**") of Qingda Oriental Fire-Fighting Technology Co., Ltd (the "**Target Company**") and its subsidiaries (the "**Target Subsidiaries**", and collectively with the Target Company, the "**Target Group**") which were held under Qingda Oriental Education Technology Group Co., Ltd (the "**Vendor**") as at 31 December 2024 (the "**Valuation Date**"). Given that the potential acquisition involves the restructuring of the Target Group, our valuation assumes that the restructuring of the Target Group has already been completed as at the Valuation Date.

Our analysis and conclusions, which are to be used only in their entirety, are provided solely for the Company's management (the "**Management**") in assessing the feasibility of this potential acquisition. The analysis and conclusion are not to be used for any other purposes or by any other party for any purposes without our expressed written consent. The conclusions and information contained in this report do not constitute any recommendation, offer, or invitation to engage in any transaction. None should rely on our analysis and conclusion as a substitute for their own judgement or due diligence.

The following report summarises the conclusion and results based on our conducted analysis.

Based on our analysis, as described in this valuation report, the market value of the Target Equity Interest of the Target Group as at the Valuation Date was **RMB219,000,000** (RENMINBI TWO HUNDRED AND NINETEEN MILLION ONLY).

The conclusions herein are subject to the assumptions, the limiting conditions and the Statement of General Services Conditions described in this report. These conclusions are based on the complete and reliable financial data provided by the Target Company. Should we be informed after the issuance of this report that the financial data provided is incomplete or has changed, resulting in inaccuracies in the conclusions, we disclaim any responsibility for such discrepancies and are under no obligation to update this report or our conclusion of value.

Yours faithfully,
For and on behalf of
FLAGSHIP APPRAISALS AND CONSULTING LIMITED

Ferry S.F. Choy
MSc. Fin, CFA, ICVS
Managing Director

CONTENT

1. EXECUTIVE SUMMARY

Governing Standard	:	International Valuation Standards
Purpose	:	Internal reference
Basic of Value	:	Market Value
Premise of Valuation	:	Going Concern
Level of Value	:	Controlling, non-marketable value
Client Name	:	Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.
Valuation Target	:	100% equity interest in Qingda Oriental Fire-Fighting Technology Co., Ltd and its subsidiaries
Type of the Company	:	Private Company
Valuation Date	:	31 December 2024
Report Date	:	30 May 2025
Method of Valuation	:	Market approach
Result	:	RMB219,000,000

2. SCOPE OF SERVICES

Based on our discussions with the Company, we are required to assess the 100% equity value in the Target Company and the Target Subsidiaries as at the Valuation Date to facilitate the Company in evaluating the feasibility of this potential acquisition.

Our analytical approach does not include an examination conducted in accordance with generally accepted accounting principles (GAAP), nor is it intended to provide an opinion on the fairness of the financial statements or other financial information (whether historical or projected).

3. BASES OF VALUATION

The basis of value for this analysis is Market Value. According to the International Valuation Standards (IVS), Market Value is defined as, "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.*"

4. PREMISE OF VALUE

The premise of value describes the circumstances of how an asset or liability is used. Some common premises of value for business valuation are:

(1) Going concern: a business is expected to continue operation without intention or threat of liquidation;

(2) Liquidation: a business is clearly going to cease operation in the near future, and it can be further classified into orderly liquidation or forced liquidation; and

(3) Assemblage of assets: the business assets have been assembled in place but are not currently used to generate income.

The Target Group has been operating for an extended period and can generate profits. Therefore, the most appropriate premise for this valuation is Going Concern. Going concern value is defined as "*the value of a business enterprise that is expected to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place*".

5. LEVEL OF VALUE

The control and marketability characteristics significantly affect the value of an equity interest. The combination of these characteristics commonly refers to the level of value. There are four basic levels of value: (1) controlling, marketable interest value, (2) controlling, non-marketable interest value, (3) non-controlling, marketable interest value, and (4) non-controlling, non-marketable interest value.

The controlling and marketable interest typically refers to shares held by controlling shareholders of publicly listed companies. The controlling and non-marketable interest usually refers to shares held by controlling shareholders of private companies. In contrast, the non-controlling and marketable interest is generally held by minority shareholders of publicly listed companies, while equity with neither control nor marketability refers to minority shareholders' interests in private companies.

Since the subject of this valuation is 100% of the equity interest in a non-listed company, the appropriate level of value is controlling but non-marketable.

6. SOURCES OF INFORMATION

Sources of data utilised in our analysis include but not limited to the following:

- The audited financial statements of the Target Group for the years ended at 31 December 2022, 31 December 2023 and 31 December 2024; and
- Bloomberg

We also relied upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies and news. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our assessment.

7. TARGET GROUP OVERVIEW

7.1 Introduction of the Target Group

The Target Group was established on 21 February 2017. It primarily provides non-degree vocational education and training services related to fire safety, with operations distributed across various regions nationwide.

7.2 Financial Performance

As of the Valuation Date, the total asset of the Target Group was RMB132.70 million, and its net assets were RMB44.53 million. The gross profit margin increased from 49.85% in 2022 to 72.76% in 2024, while the net profit margin also rose from -27.04% in 2022 to 21.65% in 2024.

The table below summarises the key financial data from 2022 to 2024:

Table 1: Summary of financial information

RMB (Million)	**2022**	**2023**	**2024**
Total assets	146.18	172.03	132.70
Total liabilities	168.38	161.24	88.17
Net assets	(22.20)	10.78	44.53
Revenue	163.95	213.81	226.98
Gross profit	81.73	148.68	165.16
Net profit	(44.34)	28.59	49.15
Gross profit margin	49.85%	69.54%	72.76%
Net profit margin	-27.04%	13.37%	21.65%

Source: The Target Group

Remark: Numbers may not sum to total due to rounding.

8. VALUATION METHODOLOGY

8.1. Introduction of Valuation Methodology

There are three common approaches used to estimate the value of an asset, namely the cost approach, market approach and income approach.

Income Approach: this approach provides an indication of value by converting projected cash flows to a single current value.

Market Approach: this approach provides an indication of value by comparing the asset and/or liability with an identical or comparable (that is similar) asset and/or liability for which price information is available.

Asset Approach: this approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved.

8.2. Selection of Methodology

All three approaches have been considered in this valuation, and the approach or approaches deemed relevant will then be selected for use in the valuation analysis.

As a going concern, the value of the Target Group primarily depends on the future economic benefits derived from its business operations.

We did not select the Asset Approach because it does not reflect the Target Group's future operational potential. Additionally, the intangible assets generated during the operations are not captured in its financial statements.

While both the income approach and the market approach can reflect the future operational value of the Target Group, the income approach relies more heavily on the reliability of the Target Group's future earnings projections, whereas the market approach depends more on the comparability of similar assets. The Target Group's business performance fluctuated significantly during our analysis period, especially it included the COVID-19 period, making it difficult to derive a reliable financial forecast. In contrast, we are able to identify suitable comparable companies among listed enterprises in Hong Kong and China. Therefore, we adopted the Guideline Public Company Method under the market approach for this valuation.

9. GENERAL ASSUMPTIONS

A number of general assumptions have to be established to sufficiently support our value conclusion. The general valuation assumptions adopted in this valuation are:

- There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in China;
- There will be no significant deviation in the industry trend and market condition from the current market expectation;
- There will be no major change in the current taxation law in China and the countries of origin of our comparable companies;
- The Target Group finished restructuring as at the Valuation Date; and
- All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing, and no additional costs or fees are needed to procure such during the application.

10. GUIDELINE PUBLIC COMPANY METHOD

The Guideline Public Company Method assumes that the share prices of comparable listed companies in the same or a similar industry provide objective evidence for the values at which investors are willing to buy or sell the interest of other companies in that industry.

The application of the Guideline Public Company Method involves the following procedures:

(1) Select comparable listed companies engaged in the same or similar industry that can provide a meaningful comparison;

(2) Determine pricing multiples which are suitable for or commonly used in evaluating companies in that industry;

(3) Calculate the pricing multiples and apply them to the subject company;

(4) Apply necessary adjustments on the adopted financial figures and/or the pricing multiples;

(5) Apply necessary valuation adjustments; and

(6) Apply weights to the results estimated based on different pricing multiples.

Pricing multiples are usually based on either equity value or enterprise value. Equity value refers to the market value of the shares, while enterprise value refers to the value of the whole enterprise, which is comprised of shares, preferred equity, debt, and minority interest but excluding cash and cash equivalent. When using pricing multiples based on enterprise value, the enterprise value must be converted into equity value.

The relationship between equity value and enterprise value is as follows:

Enterprise Value = Equity Value
+ Debt
+ Minority Interest
+ Preferred Equity
- Cash and cash equivalent

10.1 Selection of comparable listed companies

We estimated the value of the Target Group by analysing the financial ratios of Comparable Companies. This approach requires the stock prices of companies engaged in the same or similar business as the Target Group. We identified Comparable Companies with similar business nature and operational locations to the Target Group using Bloomberg and other sources.

Based on our understanding, the Target Group provides vocational fire safety training and education services in China. After careful analysis, the selection criteria for Comparable Companies are as follows:

— Companies listed on stock exchanges in China or Hong Kong;

— Companies primarily engaged in vocational education businesses in China.

The table below outlines the business descriptions of the Comparable Companies. For detailed financial information on the Comparable Companies, please refer to Exhibit D.

Table 2: List of the Comparable Companies

	Company Name	Stock Code	Description
1	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.
2	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.

	Company Name	Stock Code	Description
3	China Science and Education Industry Group Limited	1756 HK	China Science and Education Industry Group Limited is a private higher education and vocational education group in South China, offering applied science-focused and practice-oriented programs.
4	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.
5	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.
6	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.
7	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.
8	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.

Source: Bloomberg and Flagship

10.2 Determination of Pricing Multiples

Various pricing multiples are employed in valuation, with the most commonly used including the Price-to-Earnings Ratio (P/E), Enterprise Value to Earnings Before Interest and Taxes Ratio (EV/EBIT), Price-to-Sales Ratio (P/Sales), and Price-to-Book Ratio (P/B). For a profitable company, P/E and EV/EBIT are typically used, while P/Sales and P/B are considered based on industry characteristics or when the valuation target is not making profits.

Since the Target Group engages in non-degree vocational education and is profitable, its earnings directly influence the value of its equity interest. Therefore, we considered applying P/E and EV/EBIT multiples to assess the market value of the equity interest, while excluding companies with outlier multiples. Negative pricing multiples are not meaningful and, therefore, were excluded from the 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. Besides, the pricing multiple was deemed an extreme outlier as it exceeded the upper limit defined by Tukey's fences, a statistical method that identifies extreme outliers based on the interquartile range. The table below presents the P/E and EV/EBIT multiples as of the Valuation Date.

Table 3: Ratios of the Comparable Companies

Company name	**P/E**	**EV/EBIT**
China East Education Holding Limited	11.27	5.32
China Education Group Holdings Limited	3.87	5.41
China Science and Education Industry Group Limited	1.91	3.97
Fenbi Limited	23.22	19.29
South China Vocational Education Group Company Limited	4.30	3.09
Offcn Education Technology Company Limited	Negative	739.10*
Jiangsu Chuanzhiboke Education Technology Company Limited	Negative	Negative
Huatu Cendes Company Limited	3,025.86*	127.16
Median	**4.30**	**5.37**

Source: Bloomberg

* *Considered as an outlier*

10.3 Financial Data for Valuation

For the 12-month period ending 31 December 2024, the earnings before interest and taxes (EBIT) and net profit of the Target Group were RMB55.40 million and RMB49.15 million, respectively.

10.4 Valuation Adjustment

Control premium

A control premium is an additional amount an investor is willing to pay above the market price to acquire a controlling stake in a company. This premium reflects the value of controlling the company's strategic direction, assets, and operations, which may lead to higher potential returns, realization of synergies, or other benefits that justify paying above the current market value. Since the Company intends to acquire 100% of the equity interest in the Target Group, a control premium of 26.8% has been applied, with reference to BVR's control premium studies.

Discount for Lack of Marketability (DLOM)

Marketability refers to the speed, cost, and ease with which an asset can be converted into cash. For a privately held, non-listed company, the lack of marketability means that shareholders do not have a ready market for trading their shares. In theory, the value of a share in a non-listed company is lower than that of a comparable share in a publicly traded company.

The discount for lack of marketability for a controlling equity interest is typically lower than that for a minority equity interest, as controlling shareholders can more easily realize the value of the assets during a sale without significant constraints. In this analysis, we consider a 30% discount for lack of marketability to be appropriate.

10.5 Calculation Result

After calculating and adjusting the aforementioned parameters, the results are summarized in the table below. For detailed calculations, please refer to Exhibit E.

Pricing Multiples	**Result** *(RMB million)*
P/E	187.71
EV/EBIT	250.49
Average	**219.10**

We have adopted the average value as the result of this valuation, concluding the market value of the Equity Interest of RMB219,000,000, with an implied effective P/E ratio of approximately 4.46x.

11. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Group.

The opinion expressed in this report has been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the Management. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the valuation are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decisions or actions resulting from them.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

12. CONCLUSION

In conclusion, the market value of the Target Equity Interest as at the Valuation Date was **RMB219,000,000** (RENMINBI TWO HUNDRED AND NINETEEN MILLION ONLY).

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under this valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

Yours faithfully,
For and on behalf of
FLAGSHIP APPRAISALS AND CONSULTING LIMITED

Ferry S.F. Choy
MSc. Fin, CFA, ICVS
Managing Director

EXHIBIT A — STATEMENT OF GENERAL SERVICES CONDITIONS

The service(s) provided by Flagship Appraisals and Consulting Limited will be performed in accordance with professional valuation standards. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after the completion of the engagement.

Our report is to be used only for the specific purpose stated herein, and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. None should rely on our report as a substitute for their own due diligence or judgment. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Flagship Appraisals and Consulting Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of the legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative processes or proceedings. These conditions can only be modified by written documents executed by both parties.

EXHIBIT B — INVOLVED STAFF BIOGRAPHIES

Ferry S.F. Choy, *MSc. Fin, CFA, ICVS*
Managing Director

Mr. Choy is the Managing Director of Flagship Appraisals and Consulting Limited. He has worked in the accounting and valuation profession for 15 years. Mr. Choy has served many listed companies in Hong Kong, China, Malaysia and Singapore. Mr. Choy's experience included management advice, project evaluation, public listings, M&A and valuation of different assets.

Mr. Choy is a Charterholder of Chartered Financial Analyst (CFA) and an International Certified Valuation Specialist (ICVS) — a professional credential in business valuation issued by the International Association of Certified Valuation Specialists (IACVS). He served on the Continuous Education Committee of the IACVS Hong Kong Chapter, providing business valuation training courses to members. He also conducts seminars in different professional bodies, including HKICPA and CPA Australia.

Mr. Choy has acted as a valuation specialist in listed companies' transactions. He has also provided support in different Family law assignments involving business valuations, asset tracking and recovery, expenditure analysis and Duxbury calculations and advising on business, partnership and shareholder disputes.

John T.H. Poon, *MSc. Econ, CFA*
Assistant Manager

Mr. Poon holds a Master of Science degree in Economics from the Chinese University of Hong Kong. He currently holds the position of Assistant Manager of Flagship Appraisals and Consulting Limited and assists in various valuation assessments for transaction and financial reporting purposes. He was involved in engagements in relation to various industries, including communication, mining, property management, construction, manufacturing and finance.

EXHIBIT C — INDUSTRY OVERVIEW

The information discussed or quoted in this section is based on our research from public sources, including publicly published articles, research papers, and databases. While we have tried to verify the information on a best-effort basis, the accuracy and completeness of the information are not guaranteed.

For 2024, the major economic indicators are summarised as follows:

- After suffering from relatively low GDP growth in 2022, the Chinese economy picked up pace in 2023. According to the National Bureau of Statistics, the real GDP growth rate in 2023 reached 5.2%, which was 3.0% higher than that in 2022. The peak of GDP growth occurred in the second quarter at 6.3%, while the quarter-to-quarter GDP growth dropped to 1% in the fourth quarter. In 2024, the Chinese economy slowed down, achieving a GDP growth rate of 4.5%. The growth rate was 5.3% in the first quarter, 4.7% in the second quarter, and further declined to 4.2% by the fourth quarter.

- Total fixed-asset investment, excluding rural households, reached RMB52.4 trillion in 2024, representing a 4.1% year-on-year increase. This was driven by government-led infrastructure projects, while private fixed-asset investment remained subdued, showing only a 0.8% growth and amounting to RMB25.6 trillion. These figures suggest a relatively weak long-term growth engine in the private sector.

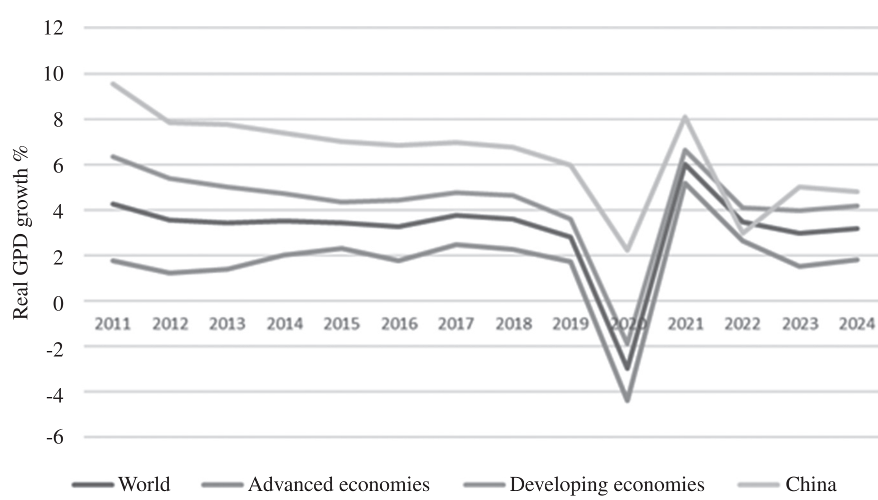
- According to the National Bureau of Statistics of China, total retail sales of consumer goods reached RMB49.2 trillion in 2024, representing a 4.5% year-on-year increase. The domestic consumption market showed steady improvement, particularly in the last quarter due to holiday spending and government incentives to boost consumption.

- The surveyed unemployment rate in urban areas was 5.0% in December 2024. Remarkably, the surveyed unemployment rate for the population aged 16 to 24, excluding students, reached 14.6% in December 2024. This reflects ongoing challenges for younger demographics in the labour market.

- The property market in China witnessed a rapid contraction in 2021 and 2022, and this trend persisted in 2023. In that year, the total investment in real estate development across the country amounted to RMB11,091.3 billion, indicating a 9.6% decline compared to the previous year. The sales area of commercial residential buildings in China reached 111,735 million square meters, reflecting an 8.5% decrease compared to the previous year. Additionally, the inventory situation in the property market worsened in 2023, with the unsold area of commercial residential buildings reaching 67,295 million square meters, representing a 19.0% increase compared to the previous year.

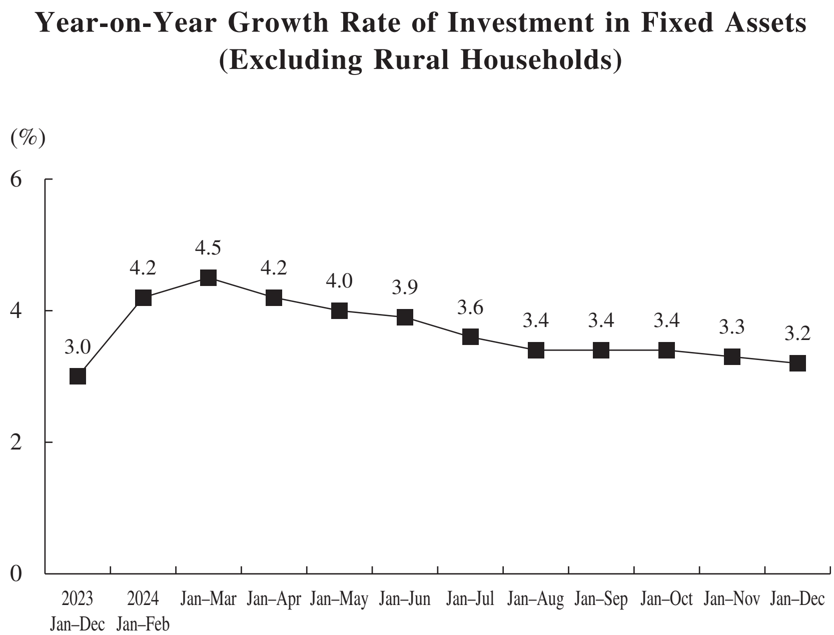
- In 2024, the property market showed signs of stabilisation, with total investment in real estate development increasing slightly by 0.5%. The sales area of commercial residential buildings declined marginally by 1.2%, while the unsold inventory of commercial residential buildings decreased by 2.5%, indicating moderate improvement in the market's supply-demand balance.

Figure C1: GDP growth rate of China and other countries (%), 2011–2024



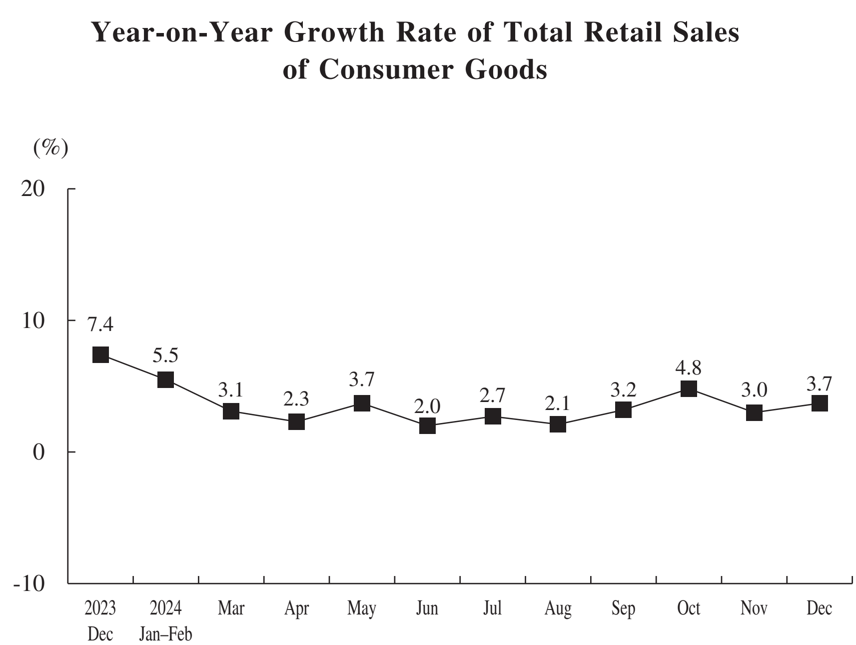
Source: IMF

Figure C2: Fixed asset investment (excluding rural households) YTD growth rate (%), 2024



Source: National Bureau of Statistics of China

Figure C3: Monthly growth rate of total retail sales of consumer goods (%), 2024

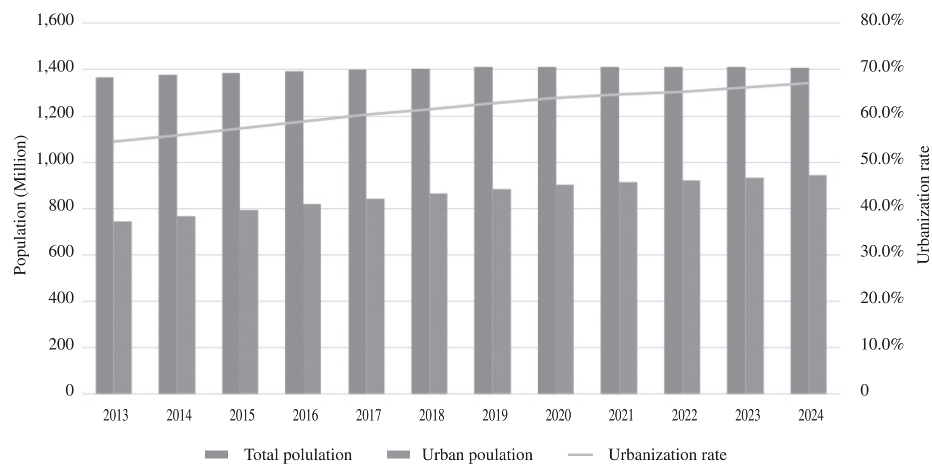


Source: National Bureau of Statistics of China

Rapid urbanisation in China

Since the Chinese economic reform, urbanisation in China has been rapidly advancing, leading to significant improvements in the living standards of its population. The urbanisation rate in China surged from 37.7% in 2001 to 65.7% in 2024. Concurrently, the urban population expanded from 481 million to 925 million during the same period. Notably, in 2022, there was a decline in the rural population, marking the first instance of such a decrease since the initiation of statistical records. This trend persisted in both 2023 and 2024, with the rural population declining by an additional 2.5 million in 2024, reflecting the ongoing migration toward urban centres and the ageing rural demographic.

Figure C4: The urban population of China (million), 2000–2024

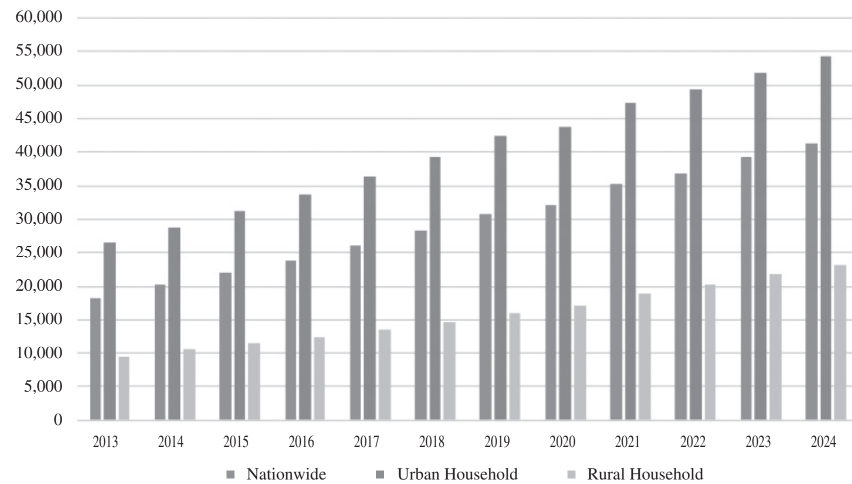


Source: National Bureau of Statistics of China

Disposable income per capita

In 2024, the disposable income per capita in China reached RMB40,800 nationwide, showing a year-on-year growth rate of 4.6%, reflecting a moderate slowdown compared to 2023. The disposable income per capita for urban households was RMB54,200, with a year-on-year growth rate of 4.2%, which remained lower than the nationwide figure due to slower income growth in urban areas.

Figure C5: Disposable income per capita (RMB), 2013–2024



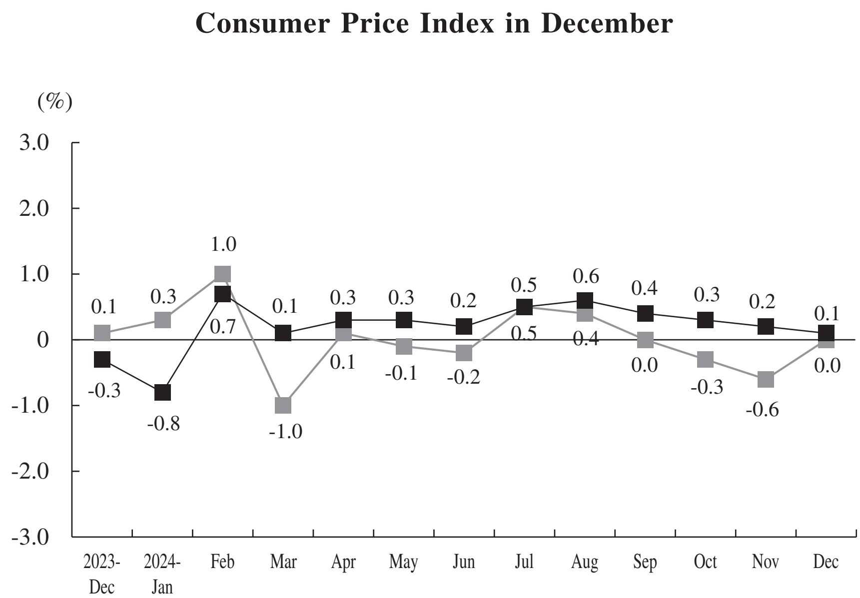
Source: National Bureau of Statistics of China

Inflation

In 2022, due to the weak economy, China had no considerable inflation pressure, which was contrary to the rest of the world. The energy price surge contributed by the Russo-Ukrainian War did not impact China's general price level much. The inflation rate peaked at 2.8% in September 2022 and dropped to 1.8% in December 2022.

Continuing the pattern observed in the latter half of 2022 and throughout 2023, inflation in 2024 remained subdued, reflecting weak domestic demand and stable energy prices. By December 2024, China's consumer price index (CPI) had increased by 1.7% year-on-year, showing a modest recovery from the near-zero inflation of the previous year. Food prices experienced a slight decline of 0.3%, while non-food prices rose by 2.1%, driven primarily by increases in healthcare and services. These figures highlight the ongoing challenges in boosting domestic consumption, as demand-side pressures remained weak despite government efforts to stimulate economic activity.

Figure C6: Inflation Rate of China, 2024



Source: National Bureau of Statistics of China

Overall outlook

After the reopening, the Chinese government witnessed a modest rebound in 2023. However, in 2024, both the capital market and domestic market continue to exhibit signs of weakness, with persistent challenges undermining confidence and limiting investment growth. Local financial issues remain unresolved, and the bad debt crisis in the property market has further escalated, despite ongoing efforts to ease capital restrictions and relax property purchase regulations. The government's stimulus measures have remained relatively modest, and the extent of economic recovery continues to require close observation.

Price levels and domestic market resilience remain fragile, reflecting the lingering effects of the COVID-19 pandemic and subdued consumer demand. High global interest rates in the first half of 2024 further hinder capital inflows, exacerbated by the downward pressure on interest rates within China. Additionally, rising geopolitical tensions and uncertainties in international trade introduce further headwinds to China's recovery efforts. Overall, in 2024, China faces a complex economic landscape, with numerous structural and external challenges requiring decisive and innovative policy responses.

China's Vocational Education and Training Industry

China's vocational education and training system comprises both formal and non-formal pathways. Graduates of formal vocational education receive diplomas recognised by the Chinese government. In contrast, non-formal vocational education equips participants with practical knowledge and skills relevant to employment but does not award formal degrees or diplomas. This includes vocational exam preparation and vocational skills training. The former helps students pass professional qualification exams and enter specific industries, while the latter develops practical expertise in targeted occupational fields.

China's vocational education market has experienced rapid growth. Frost & Sullivan reported that China's non-academic vocational education and training market is projected to reach RMB331.7 billion by 2026, with a CAGR of 8.4% from 2021 to 2026.

The sector's growth has been strongly supported by government policy. In February 2019, the State Council issued the "National Vocational Education Reform Implementation Plan" to cultivate high-quality skilled workers and technical talent, while also encouraging private sector participation. In 2022, the passing of the "Vocational Education Law" further promoted high-quality development by elevating the status of vocational education and offering financial subsidies and tax incentives to enterprises establishing training institutions.

With China's ongoing economic transformation, the demand for skilled labour has increased significantly-particularly in sectors such as manufacturing, IT, and new energy. Vocational education is becoming a key channel for developing such talent. Technological advancements, including AI, big data, and virtual reality, are expected to reshape the education landscape by enabling personalised, efficient, and intelligent training models. These innovations are also enhancing access to vocational education in regions with limited resources, helping bridge educational disparities.

EXHIBIT D — COMPARABLE COMPANIES

Company Name (Stock Code)	Market	Market Cap *(RMB million)*	Revenue *(RMB million)*	Gross profit margin	Net profit margin
China East Education Holding Limited (667 HK)	China	5,590	4,116	51.37%	12.05%
China Education Group Holdings Limited (839 HK)	China	8,696	6,579	55.39%	34.15%
China Science and Education Industry Group Limited (1756 HK)	China	778	1,269	52.53%	32.19%
Fenbi Limited (2469 HK)	China	5,363	2,790	52.48%	8.28%
South China Vocational Education Group Company Limited (6913 HK)	China	389	684	27.78%	13.21%
Offcn Education Technology Company Limited (002607 CH)	China	20,969	2,521	54.84%	-8.82%
Jiangsu Chuanzhiboke Education Technology Company Limited (003032 CH)	China	3,904	269	31.49%	-30.06%
Huatu Cendes Company Limited (300492 CH)	China	10,227	2,334	54.83%	0.14%

EXHIBIT E — DETAILED CALCULATION

In RMB'M	**P/E**	**EV/EBIT**
Trailing 12-month financials	49.15	55.40
Applied pricing multiple	4.30x	5.37x
	211.49	297.42
Add: Cash and cash equivalents	NA	14.32
Minus: Debt	NA	(29.53)
Minus: Non-controlling interests	(0.01)	(0.01)
Pre-adjusted 100% equity interest in the Target Group	**211.48**	**282.20**
Control premium	56.68	75.63
Subtotal	**268.15**	**357.84**
Discount for lack of marketability	(80.45)	(107.35)
Adjusted 100% equity interest in the Target Group	**187.71**	**250.49**
Adopted 100% equity interest in the Target Group		219.10
Market value of the Target Equity Interest		219.00

Note: Numbers may not sum to total due to rounding

1. RESPONSIBILITY STATEMENT

This supplemental circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information regarding the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	Number of Shares	*RMB*
Domestic Shares		
Authorised		
Shares as at the Latest Practicable Date	131,870,000	13,187,000
Issued and fully paid		
Shares in issue as at the Latest Practicable Date	131,870,000	13,187,000
H Shares		
Authorised		
Shares as at the Latest Practicable Date	55,560,000	5,556,000
Issued and fully paid		
Shares in issue as at the Latest Practicable Date	55,560,000	5,556,000

Immediately following the allotment and issue of all of the Consideration Shares, the authorised and issued share capital of the Company will be as follows:

	Number of Shares	*RMB*
Domestic Shares		
Authorised		
Shares	131,870,000	13,187,000
Issued and fully paid		
Shares in issue	131,870,000	13,187,000
H Shares		
Authorised		
Shares	83,560,000	8,356,000
Issued and fully paid		
Shares in issue	55,560,000	5,556,000
Consideration Shares to be allotted and issued	28,000,000	2,800,000
Total	215,430,000	21,543,000

Assuming that there will be no change to the issued Shares from the Latest Practicable Date to the full conversion of the Convertible Bond other than the issue of the Consideration Shares and the Conversion Shares, the authorised and issued share capital of the Company after the allotment and issue of all of the Consideration Shares and immediately upon full conversion of the Convertible Bond at the Conversion Price will be as follows:

	Number of Shares	*RMB*
Domestic Shares		
Authorised		
Shares	131,870,000	13,187,000
Issued and fully paid		
Shares in issue	131,870,000	13,187,000
H Shares		
Authorised		
Shares	168,560,000	16,856,000
Issued and fully paid		
Shares in issue	83,560,000	8,356,000
Conversion Shares to be allotted and issued	85,000,000	8,500,000
Total	300,430,000	30,043,000

The Consideration Shares will be allotted and issued under the Specific Mandate A to be sought from the Independent Shareholders at the AGM. The allotment and issue of the Consideration Shares will not result in a change in control of the Company.

The Conversion Shares (if any) will be allotted and issued under the Specific Mandate B to be sought from the Independent Shareholders at the AGM. Assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bond other than the issue of the Consideration Shares and the Conversion Shares, there will be no change in the control of the Company upon the full conversion of the Convertible Bond.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares upon the conversion of the Convertible Bond. Subject to the granting of listing of, and permission to deal in, the Consideration Shares and the Conversion Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Consideration Shares and the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Consideration Shares and the Conversion Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

3. DISCLOSURE OF INTERESTS

(a) Directors', supervisors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

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

(i) Long position in the Shares

Name	Capacity	Number of Shares held	Approximate percentage of Share Capital total issued
Mr. Zhou *(Note)*	Held by controlled corporation	133,170,000	71.05%

Note:

Liancheng holds 131,870,000 Domestic Shares. Liancheng (HK), a 100% subsidiary of Liancheng, holds 1,300,000 H Shares. Hengtai owns 80% of Liancheng and Mr. Zhou owns 58% of Hengtai. Accordingly, Mr. Zhou was deemed to be interested in 131,870,000 Domestic Shares and 1,300,000 H Shares.

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

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

(b) Directors' employment with substantial shareholders

As at the Latest Practicable Date, save as disclosed below, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Title	Company
Mr. Zhou	Director	Liancheng
	Director	Hengtai

(c) Substantial shareholders' and other persons' interests and short positions in shares, underlying shares and debentures

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

Name	Capacity	Number of Shares held	Approximate percentage of Share Capital total issued
Liancheng *(Note 3)*	Beneficial owner	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Hengtai	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%

Notes:

1. All represent Domestic Shares.

2. Liancheng hold 131,870,000 Domestic Shares. Liancheng (HK), a 100% subsidiary of Liancheng, holds 1,300,000 H Shares. Hengtai owns 80% of Liancheng and Mr. Zhou owns 58% of Hengtai. Accordingly, Hengtai and Mr. Zhou were deemed to be interested in 131,870,000 Domestic Shares and 1,300,000 H Shares.

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

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

Save as disclosed, the Directors, supervisors and the chief executive of the Company are not aware of any other persons who, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING INTEREST

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors, controlling shareholders and employees of the Company nor their respective close associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

5. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All directors (including executive Directors and independent non-executive Directors) and Supervisors have service contracts with the Company for a term of three years. Directors can be re-elected upon expiration of the term. On 30 June 2023, the Company has re-elected Directors with a term until the commencement of the 2026 general meeting where re-election would be conducted.

6. DIRECTORS' INTERESTS IN CONTRACTS, ARRANGEMENT AND ASSETS

As at the Latest Practicable Date, save for Mr. Zhou's interest in the Acquisition as disclosed under the paragraph headed ''GEM Listing Rules Implications'' in the ''Letter from the Board'' in this supplemental circular,

(i) there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group; and

(ii) none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2024, being the date to which the latest published audited accounts of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, save for the Sale and Purchase Agreement, no member of the Enlarged Group has entered into any other contracts which are not in the ordinary course of its business that are or may be material.

9. EXPERTS AND CONSENTS

The qualifications of the experts whose statements have been included in this supplemental circular are as follows:

Name	Qualification
Forvis Mazars CPA Limited	Certified Public Accountants
Alpha Financial Group Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Flagship Appraisals and Consulting Limited	Independent Valuer

Each of Forvis Mazars CPA Limited, Alpha Financial Group Limited and Flagship Appraisals and Consulting Limited had given and had not withdrawn its written consent to the issue of this supplemental circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of Forvis Mazars CPA Limited, Alpha Financial Group Limited and Flagship Appraisals and Consulting Limited had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of Forvis Mazars CPA Limited, Alpha Financial Group Limited and Flagship Appraisals and Consulting Limited had any direct or indirect interests in any assets which have been, since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. CORPORATE INFORMATION OF THE COMPANY

Registered office	1988 Jihe Road Hua Xin Town Qingpu District, Shanghai People's Republic of China
Principal place of business in Hong Kong	Unit 2605, Island Place Tower 510 King's Road North Point, Hong Kong
H share registrar and transfer office	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

11. GENERAL

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

2. The secretary of the Company is Mr. Chan Chi Wai Benny who has been admitted to the status of certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) since 1999.

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

12. AUDIT COMMITTEE

An audit committee of the Company ("**Audit Committee**") was established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules. The Audit Committee must consist of a minimum of three members, all of whom must be non-executive Directors, at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. The chairwoman of the Audit Committee is Ms. Zhu Yi Juan, an independent non-executive Director, and other members include Mr. Song Zi Zhang, and Mr. Wang Guo Zhong, each being an independent non-executive Director. The primary duties of the Audit Committee are to review and monitor the Company's financial reporting process and internal control system.

Biographical information of each member of the Audit Committee is set out below:

Ms. Zhu graduated in 1990 from the Department of Public Finance, specializing in Taxation, at Zhejiang University of Finance (浙江財經學院財政系稅務專業) and Economics. Ms. Zhu was assigned to the Finance and Taxation Bureau of Jiangshan City, Zhejiang Province (浙江省江山市財稅局) and worked in areas such as financial accounting, tax audit, and tax source management, before retiring in 2023. Ms. Zhu also holds a Bachelor's degree in Law at Zhejiang Normal University (浙江師範大學), earning a Bachelor of Laws degree, and completed postgraduate studies in Economic Management at Shanghai University of Finance and Economics (上海財經大學). Additionally, Ms. Zhu also obtained the Professional Qualification Certificate in Accounting (會計師專業技術資格證書) in 1996, the National Uniform CPA Examination Certificate (註冊會計師全國統一考試全科合格證書) in 2000, and was approved as a non-practicing member of the Zhejiang Institute of Certified Public Accountants (浙江省註冊會計師協會非執業會員) in 2009.

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

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

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.shanghaiqingpu.com) for 14 days from the date of this supplemental circular (both days inclusive):

(a) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this supplemental circular;

(b) the letter from the Independent Financial Adviser, the text of which is set out on pages 34 to 67 of this supplemental circular;

(c) the accountants' report issued by Forvis Mazars CPA Limited as set out in Appendix II to this supplemental circular;

(d) the accountants' report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this supplemental circular;

(e) the valuation report of the Target Equity Interest as set out in Appendix VI to this supplemental circular;

(f) the written consents referred to in the section headed "9. Experts and Consents" in this appendix; and

(g) the Sale and Purchase Agreement.

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)

SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

Reference is made to the notice (the "**Notice**") of the annual general meeting and the circular (the "**Circular**") issued by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "**Company**") dated 16 May 2025 which set out the resolutions to be considered by the shareholders of the Company (the "**Shareholders**") at the annual general meeting to be held at 2/F, Block 4, No. 4621, Jiao Tong Road, PuTuo District, Shanghai, the PRC on Monday, 30 June 2025 at 11:00 a.m. (the "**AGM**").

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the AGM will be held as originally scheduled. In addition to the resolutions set out in the Notice, the resolutions set out in the supplemental notice will be considered, and if thought appropriate, approved as additional special resolutions. The below additional special resolutions were proposed to the Company on 19 May 2025 by 聯城消防集團股份有限公司 (Liancheng Fire-Fighting Group Company Limited), as a Shareholder of the Company.

The additional special resolutions are as follows:

4. **The proposed 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**

   (A) The sale and purchase agreement ("**Sale and Purchase Agreement**") dated 8 December 2024 and entered into between the Company and the Vendor (as defined in the supplemental circular of the Company dated 30 May 2025 ("**Supplemental Circular**"), a copy of which has been produced to this Meeting marked "A" and initialled by the chairman of this Meeting ("**Chairman**") for the purpose of identification) in relation to the Acquisition (as defined in the Supplemental Circular) (a copy of the Sale and Purchase Agreement has been produced to this Meeting marked "B" and initialled by the Chairman for the purpose of identification) and the transactions contemplated thereunder (including the Acquisition (as defined in the Supplemental Circular)) be and are hereby approved;

* *For identification purpose only*

(B) Subject to and conditional upon the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in the Consideration Shares (as defined in the Supplemental Circular), the grant of Specific Mandate A (as defined in the Supplemental Circular) which shall entitle the Directors to allot and issue the Consideration Shares (as defined in the Supplemental Circular) to the Vendor (as defined in the Supplemental Circular) or its nominee(s) pursuant to the terms and conditions of the Sale and Purchase Agreement be and is hereby approved, provided that the Specific Mandate A shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution;

(C) The creation and issue of the Convertible Bond (as defined in the Supplemental Circular) in accordance with the Sale and Purchase Agreement and the terms and conditions ("**T&C**") attached to the Convertible Bond (a copy of which has been produced to this Meeting marked "C" and initialled by the Chairman for the purpose of identification) by the Company be and are hereby approved;

(D) Subject to the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares (as defined in the Supplemental Circular), the grant of the Specific Mandate B (as defined in the Supplemental Circular) to the Directors to allot and issue the Conversion Shares pursuant to the exercise of the conversion rights attached to the Convertible Bond in accordance with the T&C be and is hereby approved, provided that the Specific Mandate B shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution;

(E) The Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or to giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder (including to approve, execute, perform and to procure the execution and performance of all documents, contracts, and matters such Director deemed relevant to the Acquisition, the issue of the Consideration Shares and the Convertible Bond and the grant of the Specific Mandates (as defined in the Supplemental Circular), including but not limited to determining the timing and location of the issuance, and submitting all required applications or filings to the relevant authorities), and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the Sale and Purchase Agreement and the T&C and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole; and

(F) Conditional upon the Specific Mandate A to allot and issue the Consideration Shares and the Specific Mandate B to allot and issue the Conversion Shares having been obtained, the Board be and is hereby authorised to make such necessary amendments to the existing articles of association of the Company to increase the total number of Shares and the amount of the registered capital of the Company as necessitated by and consequent on the allotment and issuance of the relevant Consideration Shares and Conversion Shares respectively (as the case may be) pursuant to the Specific Mandate A and Specific Mandate B respectively (as the case may be), and to handle the registration procedure with the relevant company registration authority.

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

Shanghai, 30 May 2025

Notes:

(1) Details of the above-mentioned resolutions are set out in the supplemental circular of the Company dated 30 May 2025.

(2) The revised form of proxy of AGM (the "**Revised Form of Proxy of AGM**") has been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.shanghaiqingpu.com) on 30 May 2025.

IMPORTANT NOTICE: The Revised Form of Proxy of AGM shall supersede the form of proxy of AGM published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.shanghaiqingpu.com) on 16 May 2025 (the "Original Form of Proxy of AGM"). Shareholders who have duly completed and returned the Original Form of Proxy of AGM shall note that the Original Form of Proxy of AGM is no longer applicable to the AGM.

Shareholders who have duly completed and returned the Original Form of Proxy of AGM shall note that the Original Form of Proxy of AGM is no longer applicable to the AGM. Shareholders who intend to appoint a proxy to attend the AGM and vote on the resolutions set out in the Notice and this supplemental notice are requested to complete and return the Revised Form of Proxy of AGM in accordance with the instructions printed thereon no later than 11:00 a.m. on Friday 27 June 2025. Completion and return of the Revised Form of Proxy of AGM will not prevent you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

(3) For particulars of other resolutions proposed at the AGM, eligibility for attending the AGM, registration procedures for attending the AGM, closure of register of members and other matters regarding the AGM, please refer to the Notice and Circular of the AGM dated 16 May 2025.

As at the date of this notice, the executive Directors are Mr. Zhou Jin Hui (Chairman), 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.