# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION



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

**If you have sold or transferred** all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy and reply slip to the purchaser or transferee or to the bank, a licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any 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 AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial adviser to the Company**

交銀國際 BOCOM International

**Independent Financial Adviser to the Independent Board Committee and Independent Shareholders**

REORIENT 瑞東

A letter from the Board is set out on pages 7 to 30 of this circular. A letter from the Independent Board Committee containing its advice and recommendation in connection with the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) is set out on pages 31 to 32 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation in connection with the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) is set out on pages 33 to 45 of this circular.

A notice convening the EGM to be held at No.1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC on Tuesday, 23 July 2013 at 2:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish.

A reply slip for the purpose of informing the Company whether you will be attending (in person or by proxy) the EGM is also enclosed. You are reminded to complete and sign the reply slip (if you are entitled to attend the EGM) and return the signed slip to the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 2 July 2013 in accordance with the instructions printed thereon.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of posting and on the Company's website at www.shanghaiqingpu.com.

7 June 2013

* *For identification purpose only*

## CHARACTERISTICS OF GEM

**The GEM of the Stock Exchange has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

# CONTENTS

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

| | |
|---|---|
| "Acquisition" | the acquisition of the entire equity interest in Anchor (excluding the Excluded Interest) by the Purchasers under the Sale and Purchase Agreement |
| "Anchor" | 上海鐵錨壓力容器(集團)有限公司 (Shanghai Anchor Pressure Vessel (Group) Co., Ltd.*), formerly known as 上海元支高壓容器有限公司 (Shanghai Yuanzhi Pressure Vessel Co., Ltd.*) |
| "Anchor Group" | Anchor and its subsidiaries, namely Special Cylinder, Yuanfeng Vessel, and JSX Trading |
| "Announcement" | the Company's announcement dated 7 November 2012 in relation to a very substantial acquisition and connected transaction involving the acquisition of the entire equity interest in Anchor (excluding the Excluded Interest) by the Company and Liming |
| "associates" | has the meaning ascribed thereto in the GEM Listing Rules, unless otherwise specified |
| "Board" | the board of Directors |
| "Business Day" | a day (other than a Saturday or Sunday and day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general business |
| "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 with limited liability and whose H Shares are listed on the GEM |
| "Completion" | completion of the sale and purchase of the entire equity interest of Anchor under the Sale and Purchase Agreement |
| "Completion Date" | the date on which Completion takes place under the Sale and Purchase Agreement |
| "Conditions Precedent" | conditions precedent to the Completion under the Sale and Purchase Agreement |
| "connected person" | has the meaning ascribed thereto in the GEM Listing Rules |

| | |
|---|---|
| "Consideration" | the aggregate consideration of the Acquisition of RMB6 million payable by the Purchasers to the Vendors under the Sale and Purchase Agreement |
| "controlling shareholder" | has the meaning ascribed to it in the GEM Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "Domestic Shares" | ordinary shares in the share capital of the Company with a nominal value of RMB0.10 each, which are subscribed for in RMB by PRC nationals and/or PRC incorporated entities |
| "EGM" | the extraordinary general meeting of the shareholders of the Company to be convened and held at No.1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC on Tuesday, 23 July 2013, at 2:00 p.m. for the purpose of, among other things, considering and, if thought fit, approving the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) |
| "Enlarged Group" | the Group and the Anchor Group |
| "Excluded Interest" | the right to claim, interests and benefits arisen and derived from the Relevant Property as belonged to Anchor through its interest in Special Cylinder |
| "Excluded Interest Agreement" | the agreement dated 7 November 2012 entered into between the Vendors, the Purchasers, Anchor and Special Cylinder in relation to the exclusion of the Excluded Interest in the Acquisition |
| "First Supplemental Agreement" | the supplemental agreement dated 12 March 2013 entered into between the Vendors and the Purchasers in relation to, among all, extension of the Long Stop Date of the Sale and Purchase Agreement from 28 February 2013 to 28 June 2013 and confirmation of the continuity and effect of the Sale and Purchase Agreement |
| "GEM" | the Growth Enterprise Market of the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on the GEM |
| "Group" | the Company and its subsidiaries |

| | |
|---|---|
| "Guangyang" | 上海廣洋企業發展總公司 (Shanghai Guangyang Enterprise Development Corp.*) |
| "H Shares" | overseas listed foreign shares in the share capital of the Company, with a nominal value of RMB0.10 each, all of which are listed on GEM, and subscribed for and traded in Hong Kong dollars |
| "Hengtai Real Estate" | 浙江恆泰房地產股份有限公司 (Zhejiang Hengtai Real Estate Joint Stock Co., Ltd*) |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent board committee of the Board comprising, Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Zhang Cheng Ying, being all independent non-executive Directors, which has been established to make recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) |
| "Independent Financial Adviser" | the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) |
| "Independent Shareholders" | those shareholders of the Company who are not required to abstain from voting at the EGM under the GEM Listing Rules |
| "independent third party" | person(s) or company(ies) and their respectively ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of the Company and connected persons of the Company |
| "JSX Trading" | 上海元蓬國際貿易有限公司 (Shanghai J.S.X. International Trading Corporation*), a company established in the PRC and is owned as to 95% by Anchor |
| "Latest Practicable Date" | 31 May 2013 |

| | |
|---|---|
| "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 Protection Group (Hong Kong) Company Limited, a wholly-owned subsidiary of Liancheng |
| "Liming" | 上海黎明消防檢測有限公司 (Shanghai Liming Fire Testing Co., Ltd.*), a company established in the PRC, of which 90% and 10% of its equity interest was owned by the Company and Xing Li Juan (刑麗娟) respectively as of the Latest Practicable Date |
| "Long Stop Date" | the date of which the Completion of the Acquisition is conditional upon the fulfillment (or waiver thereof, where applicable) of the Conditions Precedent on or before such date |
| "Mingyuan Industrial" | 上海銘源實業集團有限公司 (Shanghai Mingyuan Industrial (Group) Co., Ltd.*) |
| "Mr. Wang" | Wang Shen (王升), an independent third party |
| "percentage ratios" | has the meaning ascribed to it under Chapter 19 of the GEM Listing Rules |
| "PRC" | the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "Profit Forecast" | Profit Forecast of the Enlarged Group for the year ending 31 December 2013 as set out in Appendix IV to this Circular |
| "Purchasers" | the Company and Liming |
| "Relevant Property" | the property and buildings constructed thereon, all of which are situated at No. 18, Lane 575, Jujiaqiao Road, Shanghai (including the land use right of 16,762 $m^2$ and 13 buildings of a total construction area of 8,833.78 $m^2$ situated thereon) |
| "Resumption Conditions" | the resumption conditions set by the GEM Listing Committee of the Stock Exchange as set out in the letter of the Stock Exchange to the Company dated 22 March 2013 |
| "RMB" | Renminbi, the lawful currency of the PRC |

| | |
|---|---|
| "Sale and Purchase Agreement" | the conditional agreement dated 7 November 2012 entered into between the Vendors and the Purchasers in relation to the sale and purchase of the entire equity interest in Anchor |
| "Second Supplemental Agreement" | the second supplemental agreement dated 20 May 2013 entered into between the Vendors and the Purchasers in relation to, among all, extension of the Long Stop Date of the Sale and Purchase Agreement from 28 June 2013 to 31 December 2013 |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Shanghai High Pressure" | 上海高壓容器有限公司 (Shanghai High Pressure Container Co., Ltd.*), a limited liability company established in the PRC and a subsidiary of Shanghai Huasheng |
| "Shanghai Huasheng" | 上海華盛企業(集團)有限公司 (Shanghai Huasheng Enterprises (Group) Company Limited*), a company established in the PRC and the former controlling Shareholder |
| "Shanghai Huasheng Group" | Shanghai Huasheng and its subsidiaries |
| "Share(s)" | Domestic Shares and H Shares |
| "Shareholder(s)" | holder(s) of the Shares |
| "Special Cylinder" | 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Ltd.*), formerly known as 上海高壓容器廠洋涇分廠 (Shanghai High Pressure Container Factory Yangjing Branch Factory*) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Supplemental Agreements" | the First Supplemental Agreement and the Second Supplemental Agreement |
| "Suspension Date" | 21 December 2006 |
| "Urban Plan" | A development plan submitted by the New District Development Committee* (新區發展改革委) which was agreed in principle by the People's Government of Pudong New District of Shanghai* (上海市浦東新區人民政府) in January 2009 |
| "Vendors" | Liancheng and Mr. Wang |

| | |
|---|---|
| "Yangjing" | 上海洋涇工業公司 (Shanghai Yangjing Industrial Co.*) |
| "Yuanfeng Vessel" | 上海元奉高壓容器有限公司 (Shanghai Yuanfeng Pressure Vessel Co., Ltd.*), a company established in the PRC and is owned as to 95% by Anchor |
| "2010 Annual Report" | annual report of the Company for the year ended 31 December 2010 |
| "2011 Annual Report" | annual report of the Company for the year ended 31 December 2011 |
| "2012 Annual Report" | annual report of the Company for the year ended 31 December 2012 |
| "%" | per cent |

* *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
Mr. Gong Xu Lin
Mr. Shen Jian Zhong

*Non-executive Directors:*
Ms. Chai Xiao Fang
Ms. Wang Xiang

*Independent non-executive Directors:*
Mr. Wang Guo Zhong
Mr. Yang Chun Bao
Mr. Zhang Cheng Ying

*Registered Office:*
1988 Jihe Road
Hua Xin Town
Qingpu District, Shanghai
PRC

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

7 June 2013

*To the Shareholders*

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

## INTRODUCTION

Reference is made to the Announcement in relation to, inter alia, a very substantial acquisition and connected transaction involving the acquisition of the entire equity interest in Anchor (excluding the Excluded Interest) by the Company and Liming. As of the Latest Practicable Date, the Company is still in the course of fulfilling the conditions precedent under the Sale and Purchase Agreement.

* *For identification purpose only*

**THE SALE AND PURCHASE AGREEMENT**

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

**Date**

7 November 2012

**Parties**

Purchasers: (1) the Company

(2) Liming

Vendors: (1) Liancheng, the controlling shareholder of the Company (as to 90% equity interest in Anchor)

(2) Mr. Wang, an independent third party (as to 10% equity interest in Anchor)

The Directors confirmed that if the entire equity interest in Anchor is only acquired by the Company, the legal status of Anchor will then be changed from jointly-invested to wholly and solely owned. Such change will require some of the permits and licences (including the business licence) currently held by Anchor be re-registered and/or re-issued. Accordingly, the Company intends to maintain the same number of equity interest holders of Anchor after the Completion (through arranging Liming to acquire 10% of the equity interest in Anchor) in order to avoid incurring unnecessary costs and undergoing extra administrative procedures.

**Assets to be acquired**

Pursuant to the Sale and Purchase Agreement and subject to the terms and conditions contained therein, among others:

(i) the Company will purchase, and Liancheng will sell 90% of the equity interest in Anchor;

(ii) Liming will purchase, and Mr. Wang will sell 10% of the equity interest in Anchor; and

(iii) whilst the entire equity interest of Anchor will be transferred to the Purchasers from the Vendors, the Excluded Interest shall be excluded in the Acquisition and remain vested with the Vendors by way of signing of the Excluded Interest Agreement. Please refer to the paragraphs headed "The Background of Special Cylinder and the Relevant Property" and "The Excluded Interest Agreement" in this letter for further details.

**Consideration**

The Consideration is RMB6 million, which was determined on arm's length negotiation between the parties to the Sale and Purchase Agreement with reference to, as advised by the Directors, among other things, the historical performance and future business prospects of Anchor Group, net asset value of Anchor Group (but excluding the Relevant Property), the acquisition cost of Anchor Group to the Vendors in April 2011, and the Relevant Uncertainty (as defined in the paragraph headed "The Background of Special Cylinder and the Relevant Property" below) of the Relevant Property. The Consideration has to be paid within 12 months after the completion of the registration procedure for the change of Anchor's equity interest holders in connection with the Acquisition.

Based on the current market situation, the Board is of the view that the Consideration is fair and reasonable. The Consideration will be satisfied in cash by utilising the existing RMB50 million loan facility from Liancheng and Hengtai Real Estate. As advised by the Directors, as at 30 April 2013, RMB1.8 million of this loan facility had been drawn and RMB48.2 million was still available for use by the Company.

**Conditions Precedent**

The Acquisition shall be conditional upon the fulfilment (or waiver thereof) of the following conditions:

(a) the completion of the due diligence investigation (including but not limited to the legal, financial and business aspects) of Anchor Group undertaken by the Company, and the results of which are (at the sole and absolute judgement of the Company) fully satisfactory to the Company;

(b) all requisite authorisations, approvals, waivers, permissions or filings under the applicable law, rules and regulations (including but not limited to the GEM Listing Rules) in connection with the entering into the Sale and Purchase Agreement and the Excluded Interest Agreement and the performance of the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) (including the approval from the Stock Exchange in relation to the announcements and circulars of the Company in connection with the Acquisition) having been obtained from relevant government authorities, the Stock Exchange and any other regulatory authorities;

(c) all necessary approvals, consents and authorisations in respect of the entering into the Sale and Purchase Agreement and the Excluded Interest Agreement and the performance of the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) and the execution of every necessary document having been obtained;

(d) the approval/passing by the Stock Exchange of the application for resumption of trading in the H Shares;

(e) approval by the Independent Shareholders of the necessary resolutions for entering into and performing the Sale and Purchase Agreement, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) in accordance with the GEM Listing Rules and the memorandum and articles of association of the Company;

(f) no applicable law, rules and regulations (including but not limited to the GEM Listing Rules) which prohibits the entering into the Sale and Purchase Agreement and the Excluded Interest Agreement and the performance of the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement);

(g) none of the warranties and undertakings given by the Vendors under the Sale and Purchase Agreement has been breached in any material aspect before Completion;

(h) all applicable laws, rules and regulations (including but not limited to the GEM Listing Rules) for entering into the Sale and Purchase Agreement and the Excluded Interest Agreement and the performance of the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) having been complied with;

(i) there has been no material adverse change in respect of Anchor Group from the date of signing of the Sale and Purchase Agreement to the Completion Date;

(j) completion of audit of Anchor Group within two months from the date of signing of the Sale and Purchase Agreement; and

(k) completion and provision of all other documents, evidence or matters as reasonably requested by the Purchasers before Completion.

Pursuant to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), in the event that not all of the Conditions Precedent are fulfilled, or waived, as the case may be, by 31 December 2013 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing), then the Sale and Purchase Agreement shall be terminated. Upon termination, the parties to the Sale and Purchase Agreement shall be released and discharged from their respective obligations under the Sale and Purchase Agreement, except as otherwise provided in the Sale and Purchase Agreement, but any cause of action accrued or any liability arising before such termination shall continue notwithstanding such termination. The Directors confirm that the conditions precedent (a), (g), (i) and (k) in respect of Liancheng can be waived by the Company and the conditions precedent (g), (i) and (k) in respect of Mr. Wang can be waived by Liming. The Directors confirmed that currently the Company and Liming do not have any intention to waive any of these Conditions Precedent.

**Completion**

Completion shall take place on the Completion Date, being the fifth Business Day following the fulfilment (or waiver thereof) of the Conditions Precedent or such other date as the parties to the Sale and Purchase Agreement may agree in writing.

Completion of the sale and purchase of the 90% equity interest in Anchor from Liancheng to the Company and the completion of the sale and purchase of the 10% equity interest in Anchor from Mr. Wang to Liming shall take place simultaneously. Upon completion of the Acquisition, the Company will directly hold 90% of the equity interest in Anchor, and Liming, a subsidiary of the Company of which 90% of its equity interest is held by the Company, will hold 10% of the equity interest in Anchor. Accordingly the Group will hold 99% equity interest in Anchor.

**THE BACKGROUND OF SPECIAL CYLINDER AND THE RELEVANT PROPERTY**

Special Cylinder is a subsidiary of Anchor and was owned as to 60% by Shanghai High Pressure and 40% by Yangjing. According to a supplemental agreement entered into between Shanghai High Pressure and Yangjing in 2002, it was agreed that some of the assets contributed by Shanghai High Pressure were over-stated, and to rectify such discrepancy, the profit-sharing ratio of Shanghai High Pressure was adjusted from 60% to 54%, and Yangjing's from 40% to 46%. In 2007, Anchor acquired the 60% equity interest in Special Cylinder from Shanghai High Pressure. As advised by the PRC legal advisers to the Company, the profit sharing ratio among the shareholders of Special Cylinder may differ from their respective capital contribution ratio if all shareholders have entered into a separate agreement specifying their respective profit sharing ratio. As confirmed by the Directors, Anchor was aware of and accepted the revised profit sharing ratio when it acquired the 60% equity interest in Special Cylinder from Shanghai High Pressure, and the Company has no intention to revise the profit sharing ratio in Special Cylinder with Yangjing after completion of the Acquisition. As advised by the PRC legal advisers to the Company, the revised profit sharing ratio in such supplemental agreement mentioned above was, and is, binding upon Anchor when Anchor became an equity interest holder of Special Cylinder.

According to the business licence of Special Cylinder, the total registered capital amounted to RMB19.17 million. The capital contribution by Yangjing for the subscription of the 40% equity interest in Special Cylinder was to be made by transferring the legal title of the Relevant Property to Special Cylinder. The legal title of the Relevant Property was held by Guangyang, which is the holding company of Yangjing. Although Yangjing failed to procure the transfer of the legal title of the Relevant Property from Guangyang to Special Cylinder as capital contribution, and the relevant legal procedure for the transfer of the title ownership of the Relevant Property from Guangyang to Special Cylinder has not been completed as at the Latest Practicable Date (the "**Relevant Failure**"), Yangjing had already held 40% equity interest in Special Cylinder and the Relevant Property had been used by Special Cylinder. As a result of the Relevant Failure, Guangyang is still the legal owner of the Relevant Property but Special Cylinder is not as at the Latest Practicable Date, and there is uncertainty as to Special Cylinder's entitlement/ownership in the Relevant Property (the "**Relevant Uncertainty**").

As advised by the PRC legal advisers to the Company, (i) the entity(ies) recorded in the register of equity interest holders shall be recognised as the equity interest holders of the company and such entity(ies) can claim and exercise its rights as an equity interest holder of the company; (ii) Yangjing was, and is, recorded in the Company Shareholder (Promoter) Investment Information (公司股東(發起人)出資信息) of Special Cylinder, which is a type of register of equity interest holders, as the holder of 40% equity interest in Special Cylinder, and therefore, Yangjing was, and is, the legal holder of the 40% equity interest in Special Cylinder; and (iii) Yangjing's status as the legal holder of 40% equity interest in Special Cylinder shall not be affected by the failure of Yangjing in completing its capital contribution obligation but pursuant to the PRC Company Law and judicial interpretations thereto, Special Cylinder is entitled to require Yangjing to procure the transfer of the legal title of the Relevant Property from Guangyang to Special Cylinder.

The Directors confirmed that the Relevant Property is of importance to Anchor Group as the Relevant Property is the principal production facility occupied by Special Cylinder to manufacture cylinders, and for the year ended 31 December 2012, the turnover and net profit of Special Cylinder amounted to approximately RMB38.3 million and approximately RMB346,000 respectively, accounting for approximately 59% and approximately 76% of Anchor Group's consolidated turnover and net profit respectively. The Directors intend to continue to utilise the Relevant Property as the production facility of Special Cylinder after the Acquisition.

The Directors confirmed that the principal operation of Special Cylinder, located in the Relevant Property, may be affected by the Urban Plan. According to the Urban Plan and the explanations of the Directors, a park will be developed in the area where the Relevant Property is situated and all the industrial buildings situated there will be demolished.

However, as advised by the Directors, (i) Special Cylinder intends to continue its principal operation in the Relevant Property until and unless it receives a Relocation Order (as defined below); (ii) Special Cylinder or Anchor Group has not yet received any order or notice requesting Special Cylinder to move out from the Relevant Property, cease production or operation, or demolish any of the buildings of the Relevant Property; (iii) the Urban Plan has not been implemented and no time schedule in respect of the implementation of the Urban Plan has been announced or issued yet; (iv) the Directors are not aware of when the relevant redevelopment schedule will be announced or issued; and (v) when the relevant redevelopment schedule is announced, Special Cylinder would arrange for relocation to other premises.

The Directors confirm that the Company possesses the realty title certificates of factory premises situated at 777 Chonggu Town Main Street and Chonggu Town South Street, Qingpu District, Shanghai (the "**Chonggu Property**") with a total gross floor area of approximately 8,000 $m^2$. The Chonggu Property is currently subject to a lease entered into between the Company and an independent third party (the "**Chonggu Lease**"). The Chonggu Lease is due to expire in November 2016 and is subject to a first right of refusal to renew under the equal terms offered by the Company to any third party. If such first right of refusal is not exercised, the Company will have the choice of not renewing the Chonggu Lease. The Directors confirm that the Chonggu Property, with factory premises comparable to those of the Relevant Property in terms of the total gross floor area, is suitable for use as the permanent principal operation of Special Cylinder.

In view of the possible availability of the Chonggu Property in December 2016, the Directors advise that the Company has the following plans (the "**Contingency Plans**") to address the possible impact on Anchor Group's operations if the PRC government (or its authorised administrative authorities), in accordance with the PRC laws and regulations, orders Special Cylinder to leave the Relevant Property and to relocate the facilities currently situated at the Relevant Property (the "**Relocation Order**"):

(i) if the Relocation Order is made but no suitable replacement property (the "**Replacement Property**") is arranged or provided by the authorities to Special Cylinder and the Chonggu Property is not available to be leased by the Company to Special Cylinder, Special Cylinder will find and obtain lease of suitable factory premises to house its principal operation and Liancheng will reimburse Special Cylinder/Anchor for (i) the relocation expenses incurred; and (ii) the rental expenses incurred during the period after a Relocation Order is made and before the principal operation of Special Cylinder is moved into the Chonggu Property, to the extent that such relocation/rental expenses are not covered by any relocation/rental compensation received by Special Cylinder/Anchor from the authorities;

(ii) if the Relocation Order is made but no Replacement Property is arranged or provided by the authorities to Special Cylinder and the Chonggu Property is available to be leased by the Company to Special Cylinder, Special Cylinder will enter into a lease with the Company for the Chonggu Property at market rate and Liancheng will reimburse Special Cylinder/Anchor for the relocation expenses incurred to the extent that such relocation expenses are not covered by any relocation compensation received by Special Cylinder/Anchor from the authorities; and

(iii) if the Relocation Order is made but the Replacement Property is arranged or provided by the authorities to Special Cylinder, the principal operation of Special Cylinder will be relocated to that Replacement Property.

The Directors confirm that the Contingency Plans are the current plans of the Directors but the Contingency Plans are subject to change in the future with reference to various factors, including but not limited to the feasibility of relocating the principal operation of Special Cylinder twice if the Relocation Order is made shortly before 2016, the opportunity costs of using the Chonggu Property/the Replacement Property as principal operation of Special Cylinder instead of leasing it out, the suitability of the Replacement Property to be used for the principal operation of Special Cylinder, early termination of the Chonggu Lease, and government specific orders etc.

**THE EXCLUDED INTEREST AGREEMENT**

To minimise the uncertainty arising from the Relevant Uncertainty (as defined in the paragraph headed "The Background of Special Cylinder and the Relevant Property" above), which the Purchasers will have to bear from acquiring Anchor, the parties to the Sale and Purchase Agreement agree that the Excluded Interest shall be excluded in the Acquisition and remain vested with the Vendors by way of the signing of the Excluded Interest Agreement for the following reasons:

(i) the title of the Relevant Property is unclear as a result of the Relevant Uncertainty, the exclusion of the Excluded Interest in the Acquisition can prevent the Purchasers from acquiring the asset of which the title is not absolutely clear; and

(ii) it is very difficult for the Relevant Failure (as defined in the paragraph headed "The Background of Special Cylinder and the Relevant Property" above) to be rectified before the Completion and in the near future as the local government authority advised that the Relevant Property has now been included in the Urban Plan and any transfer of legal title of the Relevant Property is temporarily prohibited.

To exclude the Excluded Interest in the Acquisition, the Vendors, Purchasers, Anchor and Special Cylinder entered into the Excluded Interest Agreement on 7 November 2012.

The purpose of the Excluded Interest Agreement is to serve as an instrument to implement the exclusion of the Excluded Interest in the Acquisition upon the Completion. The Excluded Interest Agreement, which takes effect starting from the Completion Date, specifically sets out the rights and responsibilities of the parties involved (including Anchor and Special Cylinder, in addition to the parties to the Sale and Purchase Agreement) in connection with the Excluded Interest after the Completion.

Pursuant to the Excluded Interest Agreement, the parties thereto agreed that:

(i) the Excluded Interest shall be excluded in the Acquisition and starting from the Completion Date, it shall remain vested with the Vendors;

(ii) the Vendors undertake not to exercise their rights and interests in respect of the Excluded Interest (other than their rights and interests to receive the proceeds or compensation as provided under the Excluded Interest Agreement) starting from the Completion Date against the Purchasers, or Anchor and Special Cylinder, and undertake not to intervene the Purchasers or Anchor and Special Cylinder from using the Relevant Property for free;

(iii) the Vendors will be responsible for handling the dispute with Guangyang and/or Yangjing in connection with the Relevant Property. If the Purchasers, Anchor or Special Cylinder suffer any losses or make any payments from any dispute arising from the Relevant Property, the Vendors shall fully indemnify the Purchasers for such losses or payments;

(iv) the Vendors may reasonably require the assistance of the Purchasers, Anchor or Special Cylinder for the purpose of proceeding any claims in connection with the Relevant Property, provided that for all the reasonable costs, responsibilities, damages or expenses incurred by the Purchasers, Anchor or Special Cylinder for such purpose, the Purchasers are fully indemnified by the Vendors;

(v) if after Completion, the legal title of the Relevant Property is transferred to Special Cylinder, and upon the disposal of the Relevant Property by Special Cylinder or upon the demolishment of the Relevant Property in accordance with government order, 54% (i.e. the percentage of profit sharing ratio of Anchor in Special Cylinder) of the proceeds or compensation after tax of the sale or from the demolishment of the Relevant Property received by Special Cylinder shall be returned to the Vendors; and

(vi) if after Completion, Yangjing/Guangyang disposes of the Relevant Property or return the Relevant Property to the authorities in return for compensation, 54% of the damages, compensation and/or the value of the assets received by Special Cylinder from Guangyang and/or Yangjing in any action or legal action taken against Guangyang and/or Yangjing for capital contribution by Special Cylinder shall be returned to the Vendors for the Excluded Interest.

The Excluded Interest Agreement gives the following benefits to the Company, Anchor and Special Cylinder:

(i) using the Relevant Property free from the intervention of the Vendors for free;

(ii) specifying that the handling of the dispute in relation to the Relevant Property with Yangjing and/or Guangyang shall be the responsibility of the Vendors but not the Purchasers'; and

(iii) if the Purchasers, Anchor or Special Cylinder suffers any losses or make any payments from any dispute arising from the Relevant Property, the Vendors shall fully indemnify the Purchasers for such losses or payments.

As explained above, since Special Cylinder is entitled to require Yangjing to procure the transfer of the legal title of the Relevant Property from Guangyang to Special Cylinder as outstanding capital contribution for the subscription of 40% equity interest in Special Cylinder by Yangjing (and as advised by the PRC legal advisers to the Company, Special Cylinder is not required to pay any other consideration to Yangjing/Guangyang for such transfer), accordingly it is provided in the Excluded Interest Agreement that if the legal title of the Relevant Property is transferred to Special Cylinder and if the Relevant Property is disposed of or demolished according to government order, 54% of the proceeds or compensation received therefrom by Special Cylinder will be returned to the Vendors.

However, as advised by the PRC legal advisers to the Company, if the Relevant Property is disposed of by Yangjing/Guangyang to other party or returned by Yangjing/Guangyang to the PRC authorities in return for compensation, Yangjing will no longer be able to fulfil its capital contribution obligation and Special Cylinder can take legal action against Yangjing in relation to the capital contribution. In that case, pursuant to the Excluded Interest Agreement, 54% of the damages, compensation and/or the value of the assets received by Special Cylinder from Guangyang and/or Yangjing in any action or legal action taken against Guangyang and/or Yangjing for capital contribution by Special Cylinder shall be returned to the Vendors for the Excluded Interest.

**REASONS FOR AND BENEFITS OF THE ACQUISITION**

Liancheng and Mr. Wang acquired from Shanghai Mingyuan Investment Management Co., Ltd.* (上海銘源投資管理有限公司) ("**Mingyuan Investment**") and Li Zhengli (李錚理) the 90% and 10% equity interest in Anchor at a consideration of RMB22.5 million and RMB2.5 million respectively, in April 2011. The Directors confirm that Liancheng's acquisition of Anchor Group was mainly based on the then net asset value of Anchor Group. The controlling shareholder of Mingyuan Investment is also a controlling shareholder of Shanghai Huasheng, the former controlling shareholder of the Company, and Li Zhengli was a former director of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wang is an independent third party.

The Directors confirmed that at the time Liancheng and Mr. Wang acquired Anchor from Mingyuan Investment and Li Zhengli, the Company did not have any sufficient internal funds and therefore, it did not have any plan to acquire Anchor Group. However, the Directors consider that in order to expand the operation scale of the Company to meet the requirement of the GEM Listing Rules, Liancheng subsequently decided to inject into the Company its interest in Anchor Group, whose principal business is the manufacture and sale of pressure vessels.

In order to implement the Group's long term strategies, as stated in the 2012 Annual Report, the Group will continue to develop new market and also prudently consider acquiring relevant enterprises which possess sound profitability in order to accelerate the growth of the Group.

The Directors are of the view that the acquisition of Anchor Group is in the interest of the Company and its shareholders as whole for the following reasons:

(i) the Group at present does not manufacture the pressure vessel products of Anchor Group, such as boiler tubes, pressure cylinders for medical use, and LPG (liquefied petroleum gas) for motor vehicles and through the acquisition, the Group will be able to expand its product range and diversify its pressure vessel business;

(ii) Anchor Group possesses some product permits, such as the Manufacture Enterprise Licence of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use, which the Company currently does not have and it enables the Group to enter into the new market;

(iii) the major customers of Anchor Group are different from those of the Group and the Acquisition will help to broaden the customer base of the Group;

(iv) the acquisition of Anchor Group by the Group may create synergy through higher production efficiency from strategic coordination of larger production scale and sharing of technology, intellectual property and research and development; and

(v) JSX Trading, a subsidiary of Anchor, is principally engaged in international export and import business and was one of the major customers of the Company. The Directors consider that the acquisition of JSX Trading could help the Group to develop overseas markets by utilising the connections of JSX Trading and setting up a more seamless flow from production to sale.

Further, the Directors intend to improve the profitability of Anchor Group by increasing the operation efficiency and reducing the overhead expenses after the Acquisition. The Directors believe they have good records in improving the operations and profitability of fire-fighting companies. For instance, the gross profit of the Company had been improved from approximately RMB1.0 million for the year ended 31 December 2009 to approximately RMB9.8 million for 2011 and approximately RMB9.0 million for 2012 and the net profit of Liming had been improved from approximately RMB234,000 for the year ended 31 December 2010 to approximately RMB1.0 million for 2011 and approximately RMB2.8 million for 2012 respectively. In addition, the Qualification Certificate for Fire-fighting Technology Testing Services (消防技術檢測服務資質證書) of Liming has been upgraded from Grade 2 to Grade 1 during 2012 and Liming is allowed to provide services for more buildings and facilities.

Accordingly, the Group entered into the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements) and the Excluded Interest Agreement to implement the Acquisition. After the Acquisition, the Company intends to continue the existing business of Anchor Group.

The Directors believe that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) were negotiated on an arm's length basis between the parties and are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

**PROSPECTS AND FUTURE PLANS**

After change in the management of the Company in 2009, the Company and the Directors spent effort in expanding the business of the Company. The Company diversified its scope of business through the acquisition of Liming in 2011. Liming is engaged in the provision of fire testing services in Shanghai. According to the Shanghai Fire Protection Association Document (Hu Xiao Xie (Mi) [2012] No.36) (上海市消防協會文件(滬消協(秘) [2012] 36號), 25 companies in Shanghai had the qualification to provide fire technology services and Liming was one of them. In 2012 the Qualification Certificate for Fire-fighting Technology Testing Services (消防技術檢測服務資質證書) of Liming was upgraded from Grade 2 to Grade 1 and hence, Liming is able to provide services for more buildings and facilities. The Group recorded revenue of approximately RMB3.8 million and approximately RMB8.0 million from the provision of fire testing services for each of the two years ended 31 December 2012, respectively. The Directors believe there is good business potential for the fire testing services in Shanghai, particularly after Liming had obtained the Grade I qualification for fire testing services. The Directors intend to continue and develop the business of Liming in the future.

The Company entered into an agreement in November 2012 to supply iron casted grooved couplings for fire protection pipes (消防管道鑄鐵溝槽件). As confirmed by the Company, a grooved coupling is a metal piece on the end of a fire hose to connect it to extra fire hose or fire hose appliances. For the year ended 31 December 2012, sales of grooved couplings of the Group amounted to approximately RMB0.9 million. The Directors believe that the sales of grooved couplings will continue to contribute to the business of the Group.

The Directors believe that the acquisition of Anchor Group will expand the existing pressure vessel business of the Group by adding Anchor Group's pressure vessel products, such as those for storage of LPG (liquefied petroleum gas), marine safety and medical care. After the Acquisition, the Directors intend to continue the existing business of Anchor Group and to improve its operations efficiency and reduce overhead expenses. In addition, The Directors intend to develop the overseas markets by utilising the connections of JSX Trading, a subsidiary of Anchor, which is principally engaged in the international trading business.

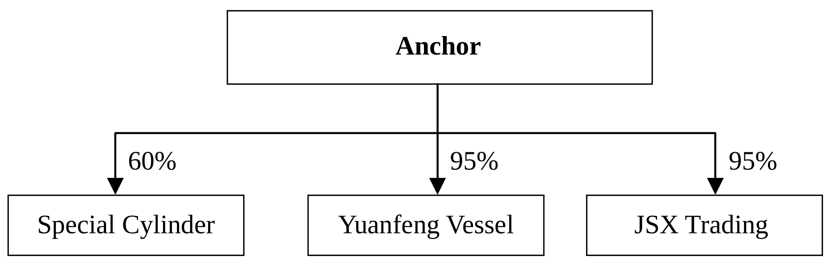
**INTENTION OF THE CONTROLLING SHAREHOLDER AND DIRECTORS**

According to the Directors, the Company or the Directors have no present agreement, arrangement, intention, negotiation and/or plan about any acquisition, disposal of company or assets, and/or to carry out a principal business other than the existing business of the Company (whether concluded or not) within 24 months after resumption of trading in the H Shares. According to Liancheng, Hengtai Real Estate and Zhou Jin Hui, Liancheng and its beneficial owners have no intention or plan to dispose of its controlling interests in the Company within 24 months after the resumption. According to the Directors, the Directors at the time of resumption of trading in the H Shares will remain with the Company's Board after the resumption.

## INFORMATION OF ANCHOR GROUP

Anchor holds 95% equity interest in JSX Trading, 95% equity interest in Yuanfeng Vessel, and 60% equity interest in (54% in profit and loss sharing of) Special Cylinder, respectively.

The group structure of Anchor Group is set out below:




Anchor Group is engaged in the manufacture and sale of alloy steel cylinders, aluminium cylinders and boiler tubes, as well as the international trading business. The business scope of each member of Anchor Group, according to their respective business licence, is set out in the table below:

| **Company name** | **Business scope** |
|---|---|
| Anchor | manufacture and sales of seamless gas cylinders and Category I pressure vessels; import and export of goods and technology; domestic trading (other than the categories specifically regulated), investment and asset management; financial (excluding provision of book keeping services), corporate management, business information and technology consultation, exhibition services |
| Special Cylinder | manufacture and processing of metal vessels and accessories and medical machine and accessories; installation of typical machine and electrical machine |
| Yuanfeng Vessel | manufacture, processing, wholesale, retail of metal vessels and pressure vessels; wholesale, retail and processing of cold work sheet metal |
| JSX Trading | import and export of goods and technology; sales of detergent products, chemical raw materials and products (excluding dangerous goods), machine and equipment and communication equipment, boiler pressure vessels, building decoration materials; and business information consultancy |

Anchor possesses the Manufacture Licence of Special Equipment (特種設備製造許可證) for high-pressure vessels, seamless gas cylinders, welded gas cylinders, special gas cylinders, Category I pressure vessels, and Category II low and medium pressure vessels. Such licence is issued by the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) and will expire on 24 March 2014.

Special Cylinder holds the Manufacture Enterprise Licence of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use. Such licence is issued by Shanghai Food and Drug Administration (上海市食品藥品監督管理局) and will expire on 30 January 2016.

Pressure vessels in the PRC are categorised into Category I, II, and III under the Regulations on the Supervision of Pressure Vessel Safety Technology (壓力容器安全技術監察規程), according to the degree of pressure, product type, toxicity, and flammability. In general, Category III pressure vessels denote the highest degree of pressure among the three categories.

In addition, Special Cylinder holds the following certificates:

| Certificate | Issuing Body | Expiry Date |
|---|---|---|
| Approval for manufacture of certain types of cylinders | US Department of Transportation | not specified |
| Certificate of Conformity to Module D (Production Quality Assurance) according to Directive 97/23/EC | MIRTEC S.A. | 1/8/2014 |
| ISO 9001:2008 Certificate of Conformity of Management System | MIRTEC S.A. | 1/8/2014 |

As advised by the Directors, the products manufactured by Special Cylinder are supplied to, among others, producers of marine safety products, gas storage products and medical care products, and trading company.

As advised by the Directors, the products manufactured by Yuanfeng Vessel are supplied to, among others, boilers factory, safety equipment and fire-fighting equipment producers, and LPG (liquefied petroleum gas) suppliers.

Anchor Group was based in Shanghai. Special Cylinder and Yuanfeng Vessel had their own production facilities in the following locations:

| **Company** | **Location** |
|---|---|
| Special Cylinder | No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai (i.e. the Relevant Property) |
| Yuanfeng Vessel | No. 648, Nanqiao Road, Nanqiao Town, Fengxian District, Shanghai |

According to the Directors, major customers of Anchor Group include trading companies, manufacturers of safety equipment, boilers, life rafts and inflatable rubber products and gas vessels company. As advised by the Directors, some suppliers of Anchor Group supply metal sheets, steel tubes, valves, and parts. For the year ended 31 December 2012, sales to the five largest customers and the single largest customer accounted for approximately 36% and 11% of the total turnover of Anchor Group, respectively.

The senior management of Anchor Group includes:

Mr. Li Zhengli (李錚理), aged 62, a director, the general manager, and legal representative of Anchor. Mr. Li was also a former Director. As advised by Anchor, Mr. Li joined Anchor as a director and legal representative in 2007. He is also the vice-president of Mingyuan Industrial. Mr. Li was conferred the qualifications of senior economist in 1995 by the Advanced Professional Skill Occupational Qualification Assessment Committee of Economic Series (Manufacture Field) of Shanghai* (上海市經濟系列(生產領域)高級專業技術職務任職資格評審委員會) and senior occupational manager (grade 1) (高級職業經理人(一級)) in 2004 by the Appraisal Centre of Occupational Capability of Shanghai* (上海市職業技能鑒定中心). Mr. Li completed the studies of the American Market Economy System as offered by Queens College, City University of New York, the USA in 1995 and was conferred the degree of master of business administration (external) in 1999 and the graduate diploma in business administration (external) in 1997 by Monash University, Australia.

Mr. Shao Jiuyan (邵久延), aged 59, a director of Anchor. He has been the general manager of Shanghai High Pressure since 2006. Mr. Shao was conferred the qualification of senior occupational manager (grade 1) (高級職業經理人(一級)) in 2009 by the Appraisal Centre of Occupational Capability of Shanghai (上海市職業技能鑒定中心).

Mr. Shi Huixing (史惠星), aged 55, a director and the general manager of Special Cylinder. As advised by Shanghai High Pressure, Mr. Shi worked in Shanghai High Pressure from 1986 to 2001. As advised by Special Cylinder, Mr. Shi has been working in Special Cylinder since 2007. Mr. Shi graduated from the Shanghai Light Industry Bureau Committee China Communist Party School (中共上海市輕工業局委員會黨校) with studies in political party management (政黨管理) in 1992 and was conferred the qualification of senior occupational manager (grade 1) (高級職業經理人(一級)) in 2009 by the Appraisal Centre of Occupational Capability of Shanghai (上海市職業技能鑒定中心).

Mr. Wei Xiaowei (魏曉微), aged 37, the general manager of Yuanfeng Vessel. He joined Anchor Group in 2010. He was the deputy general manager and financial controller of Chongqing Yifeng High-Pressure Container Co., Ltd.* (重慶益峰高壓容器有限責任公司) during the period from March 2007 to February 2010 and the general manager of Yuanfeng Vessel since March 2010. Mr. Wei was conferred the qualification of senior occupational manager (grade 1) (高級職業經理人(一級)) in 2011 by the Appraisal Centre of Occupational Capability of Shanghai* (上海市職業技能鑒定中心) and he has been admitted to study for the master of business administration at Zhongnan University of Economics and Law* (中南財經政法大學) in 2011.

Mr. Zhou Jin Hui (周金輝), aged 42, chairman and director of Anchor. Please refer to the section headed "Biographical Details of Directors and Senior Management" in Appendix VI to this circular for the biographical details of Mr. Zhou.

The Directors intend to retain the above senior management of Anchor Group and currently they do not have any intention to appoint any of them (other than Mr. Zhou Jin Hui who is already an executive Director) to the Board at present.

## INFORMATION OF THE GROUP

The Group is principally engaged in the manufacture and sale of fire-fighting products and pressure vessels. It also provides fire testing services through its subsidiary, Liming. The Company intends to continue on its existing business after the Acquisition.

The Company is beneficially owned by Liancheng which is beneficially owned by Hengtai Real Estate. Liancheng's business scope includes the sale of fire-fighting equipment, provision of fire engineering services, public utility and other engineering services, imports and exports, investment and investment consulting. Hengtai Real Estate's business scope includes property development.

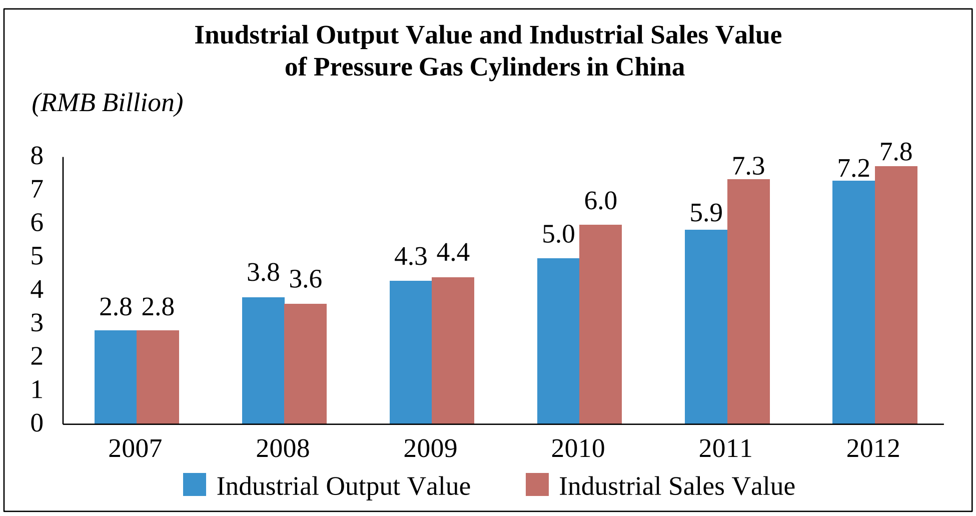
## INDUSTRY OVERVIEW

*This section contains information and statistics on the industry in which Anchor Group operates. The Company has extracted and derived such information and statistics, in part, from third party sources. The Company believes that the sources of this information are appropriate sources and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by the Company or any other party involved in the circular and no representation is given as to its accuracy. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the third party sources contained herein may not be accurate and should not be unduly relied upon.*

According to the 2013 China Pressure Vessels Market Analysis Investment Trend Research Report (2013年中國高壓氣瓶市場分析投資趨勢研究報告) issued by Beijing Boyan Zhishang Information Consultancy Co., Ltd. (北京博研智尚信息咨詢有限公司) (the "**Pressure Vessels Report**"), there are already over 130 types of gases that are stored in pressure vessels in the world but in China, only about 80 types of gases are stored in pressure vessels. For overseas well-established pressure vessel manufacturers, the annual production capacity is about 2 – 3 million units but in China, the annual production capacity of the largest manufacturer is about 500,000 – 600,000 units.

According to the Pressure Vessels Report, in China, in 2012, there were around 144 enterprises in the pressure vessels industry and those small-scale and low-technology manufacturers are expected to cease operations or to be taken over gradually. The pressure gas cylinders manufactured in China has already attained the world standard and has the production cost advantage in the international market. In 2012, the total export of pressure gas cylinders of China amounted to RMB706 million, representing a growth rate of 6.8% over 2011.

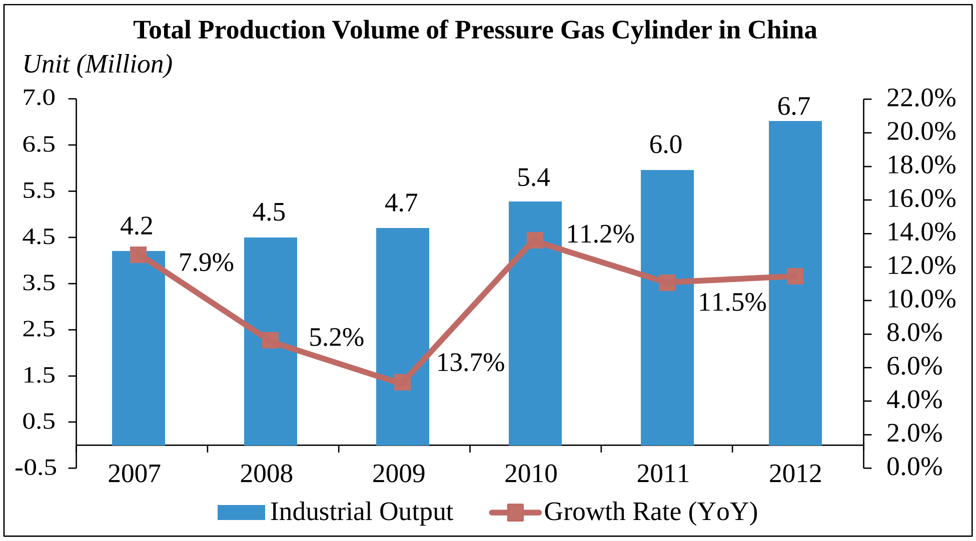
According to the Pressure Vessels Report, for the year 2012, the total industrial sales of pressure gas cylinders in China amounted to approximately RMB7.81 billion, representing an increase of 7.5% over 2011.




* *Source: the Pressure Vessels Report*

* *Rounded to the nearest decimal place*

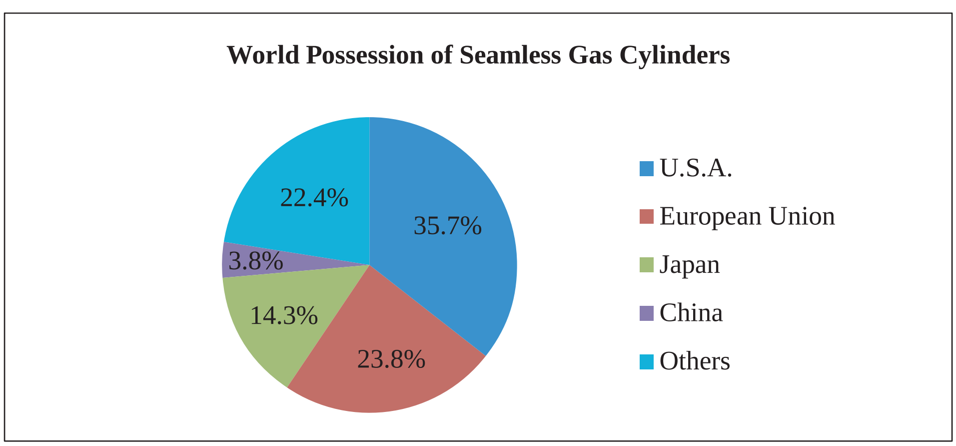
According to the Pressure Vessels Report, for 2012, the production volume of the pressure gas cylinders industry in China was 6.65 million units, representing a growth rate of 11.5% over 2011.




* *Source: the Pressure Vessels Report*

* *Rounded to the nearest decimal place*

According to the Pressure Vessels Report, the world possession of seamless gas cylinders can be broken down as below:




* *Source: the Pressure Vessels Report*

The Directors believe that with the development of the industrial gases industry and the increasing use of gas-fuelled vehicles in China, there exists great potential for the pressure vessel industry.

**RISKS ASSOCIATED WITH THE ACQUISITION AND THE BUSINESS OF ANCHOR GROUP**

*Shareholders should carefully consider all of the information set out in this circular, including the risks and uncertainties associated with the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements) before making a decision on how to vote on the resolutions relating to the Acquisition at the EGM. The business, financial condition and results of operations of the Group and Anchor Group may be materially and adversely affected by one or more of these risks.*

*To the Directors' best knowledge, the Directors consider the following risks to be the most significant in respect of the Acquisition for the Shareholders and potential investors of the Company. However, the risks listed below do not purport to include all those risks associated with the Acquisition and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Acquisition and the Group. If any of the following risks actually occurs, the business, financial condition, results of and/or future operations of the Group may be materially and adversely affected.*

**Completion of the Acquisition is subject to the fulfillment or waiver (as the case may be) of the Conditions Precedent and there is no assurance that all of the Conditions Precedent will be fulfilled or waived (as the case may be)**

Completion of the Acquisition is conditional upon fulfillment of the Conditions Precedent (or waiver thereof, as the case may be), details of which are set out in the sub-paragraph headed ''Conditions Precedent'' under the paragraph headed "The Sale and Purchase Agreement'' in this letter. Certain Conditions Precedent involve decisions of third parties, and the fulfillment of which is not under the control of the parties to the Acquisition. Such conditions precedent include, among other things, obtaining all necessary authorisation, approvals, waivers, permissions or filings, obtaining approval from the Independent Shareholders at the EGM and obtaining approval from the Stock Exchange for the resumption of trading in the H Shares. Since fulfillment of such conditions precedent is beyond the control of the parties involved in the Acquisition, there is no assurance that the Acquisition will be completed as intended.

**The property housing the principal manufacturing facilities of Special Cylinder is subject to legal uncertainty and the Urban Plan**

Special Cylinder, a subsidiary of Anchor, occupies the Relevant Property as its principal place of operation to manufacture pressure vessels. However, Special Cylinder or Anchor is not the legal owner of the Relevant Property as at the Latest Practicable Date. Furthermore, the location of the Relevant Property is subject to the Urban Plan and all the industrial buildings situated there may need to be demolished. Please refer to the paragraphs headed "The Background of Special Cylinder and the Relevant Property" and "The Excluded Interest Agreement" in this letter for details. If Special Cylinder is required to relocate its manufacturing facilities from the Relevant Property and suitable replacement property is not available, the operations and financial results of Special Cylinder will be adversely affected.

**The contingency plans for the possible re-location of the manufacturing facilities of Special Cylinder may not be feasible in the actual situation**

The location of the Relevant Property, the principal place of operations of Special Cylinder, is subject to the Urban Plan and it is possible that the government (or its authorised administration authorities) may require Special Cylinder to re-locate its manufacturing facilities from the Relevant Property. Although the Directors have made contingency plans to address the adverse impacts of such re-location, there is no guarantee that the contingency plans could be implemented successfully. Please refer to the paragraph headed "The Background of Special Cylinder and the Relevant Property" in this letter for details of the contingency plans. If the contingency plans for the re-location of manufacturing facilities of Special Cylinder are in fact infeasible in the actual situation, the operations and financial performance of Special Cylinder and the Enlarged Group will be adversely affected.

**The Group may not be able to meet the payment obligation for the consideration of the Acquisition**

The consideration at the Acquisition was agreed to be RMB6 million, payable within 12 months after the completion of the registration procedure for the change of Anchor's equity interest holders in connection with the Acquisition. According to the Directors, they intend to utilise the existing RMB50 million loan facility from Liancheng and Hengtai Real Estate to meet the Group's payment obligation for the Consideration. However, there is no guarantee that at the time of payment of the Consideration, the undrawn portion of the loan facility from Liancheng and Hengtai Real Estate will be adequate; or the Group will have adequate internal finance resources; or the Group will be able to borrow from external sources to pay for the Consideration.

**The Enlarged Group may not be able to achieve the forecast profit for the year ending 31 December 2013**

In the Profit Forecast, it is forecasted that the Enlarged Group would make a profit attributable to shareholders of the Company of not less than RMB6.9 million for the year ending 31 December 2013. However, the profit forecast was based on a number of assumptions and there may be changes in those assumptions in the future which may have adverse impact to the operations of the Enlarged Group. It is possible that the actual financial result of the Enlarged Group for the year ending 31 December 2013 may be less favourable than the Profit Forecast.

**The Group may not be able to obtain the expected benefits or effectively operate the acquired business of Anchor Group**

The Group expects to continue with the existing principal businesses of Anchor Group upon Completion. However, the ability of the Group to operate the business of Anchor Group effectively and to create synergies as well as to improve the efficiency and performance of Anchor Group is subject to uncertainties and contingencies in the market, many of which are beyond the Company's control. Such uncertainties include, but not limited to, failure to identify material risks or liabilities associated with Anchor Group, difficulty in retaining key employees of Anchor Group necessary to manage its businesses, promulgations of new laws and regulations related to the pressure vessel industry, fluctuations in raw material costs, entry of new competitors, and changes in market conditions of the products of Anchor Group.

**There is no assurance that Anchor Group is able to renew its licences or certificates required when they expire**

Under the relevant PRC laws and regulations, the manufacturers of boilers and pressure vessels are required to possess the manufacture licence of boilers and pressure vessels (鍋爐壓力容器製造許可證). Anchor possesses the Manufacture Licence of Special Equipment (特種設備製造許可證) which is valid till March 2014 and Special Cylinder holds the Manufacture Enterprise Licence of Medical Equipment (醫療器械生產企業許可證) which is valid till January 2016. In addition, for export of pressure cylinders to the USA and European countries, Anchor Group has to comply with the relevant quality codes and standards. It should be noted that the standards of compliance in the PRC and different countries may change from time to time. In the event that the relevant licences or approvals are suspended or not renewed upon expiry, Anchor Group will not be able to manufacture and/or sell the relevant products and Anchor Group's operations and financial results will be materially and adversely affected.

**The Company faces keen competition from domestic and overseas suppliers**

The pressure vessel market in the PRC is highly competitive. Although the manufacture of pressure vessels and boilers in the PRC requires the relevant licences, the Directors regard the entry barrier to the pressure vessel industry is relatively low. In addition to domestic manufacturers, the Company faces competition from overseas suppliers. In the event that Anchor Group fails to compete with the domestic counterparts and overseas suppliers, Anchor Group's business and profitability will be adversely affected.

**Anchor Group's overseas markets may be subject to punitive duties on its products**

In June 2012, the U.S. Department of Commerce issued anti dumping duty order on high pressure steel cylinders from China at the rate of 6.62% – 31.21%. JSX Trading (as exporter) and Special Cylinder (as producer) were specifically listed as subject to such anti dumping duties and thus sales of Anchor Group would be adversely affected as it sells cylinders to the USA. If any overseas countries, to which Anchor Group or Anchor Group's customers export, impose punitive duties on the products of Anchor Group, its sales and financial performance will be adversely affected.

## FINANCIAL EFFECTS OF THE ACQUISITION

Set out below are certain audited consolidated financial information of Anchor Group for each of the two years ended 31 December 2012:

| | For the year ended 31 December 2011 *(RMB'000)* | For the year ended 31 December 2012 *(RMB'000)* |
|---|---|---|
| Net profits before tax | 2,663 | 708 |
| Net profits after tax | 1,842 | 454 |

The audited consolidated net asset value of Anchor Group, excluding the Relevant Property, as at 31 December 2012, was approximately RMB24.9 million.

As stated in the unaudited pro forma consolidated income statement of the Enlarged Group set out in Appendix III to this circular, the Group recorded a net profit of approximately RMB5.8 million for the year ended 31 December 2012. Had the acquisition been completed on 1 January 2012, the unaudited profit in the Enlarged Group's pro forma consolidated income statement for the year ended 31 December 2012 would have increased from approximately RMB5.8 million to approximately RMB6.2 million. Furthermore, the Group had total assets and total liabilities of approximately RMB65.9 million and approximately RMB14.1 million, respectively, as at 31 December 2012. Had the acquisition been completed on 31 December 2012, the Enlarged Group's unaudited pro forma total assets and total liabilities would have increased from approximately RMB65.9 million to approximately RMB107.2 million and from approximately RMB14.1 million to approximately RMB36.5 million, respectively.

## IMPLICATIONS UNDER THE GEM LISTING RULES

According to the applicable percentage ratios, the Acquisition exceeds 100% and accordingly constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is subject to the shareholders' approval and other relevant requirements under Chapter 19 of the GEM Listing Rules. As at the date of signing the Sale and Purchase Agreement, approximately 71.05% of the issued Shares of the Company were directly and indirectly held by Liancheng (of which 131,870,000 Shares were held directly by Liancheng and 1,300,000 Shares were held by Liancheng HK) and accordingly, Liancheng is a controlling shareholder of the Company under the GEM Listing Rules. Further, Hengtai Real Estate owns 80% of the equity interest in Liancheng and Mr. Zhou Jin Hui, a Director, owns 58% and 20% of the equity interest in Hengtai Real Estate and Liancheng respectively and accordingly Liancheng is an associate of Mr. Zhou Jin Hui under the GEM Listing Rules. As Liancheng is one of the Vendors, the Acquisition and the transactions contemplated under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements) and the Excluded Interest Agreement therefore also constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules and are subject to approval by the Independent Shareholders at the EGM and the relevant requirements under Chapter 20 of the GEM Listing Rules. Save as the interest of Mr. Zhou Jin Hui as disclosed above, no Directors had material interest in the Acquisition and the transactions contemplated under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements) and the Excluded Interest Agreement.

## ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in connection with the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement). REORIENT Financial Markets Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to such matters. According to a confirmation of the Directors, at the Board meeting approving, among all, the execution of the Sale and Purchase Agreement and the Excluded Interest Agreement, Mr. Zhou Jin Hui had abstained from voting because of his interest in one of the Vendors.

**CONTINUED SUSPENSION OF TRADING IN THE H SHARES**

Trading in the H Shares on the GEM has been suspended since the Suspension Date. Before satisfaction of all the Resumption Conditions, trading in the H Shares will continue to be suspended. The release of this circular does not indicate that the trading in the H Shares will be resumed.

The resumption of trading in the H Shares is subject to a number of Resumption Conditions. By a letter dated 22 March 2013, the Stock Exchange informed the Company that the GEM Listing Committee decided to allow the Company to proceed with the resumption proposal of the Company of March 2013 subject to satisfying the following Resumption Conditions by 31 July 2013:

(1) completion of the acquisition of Anchor; and

(2) inclusion in the shareholder circular:

   (a) a profit forecast of the enlarged Group for the year ending 31 December 2013 together with reports from its auditors and financial adviser under paragraph 29(2) of Appendix 1b of the GEM Listing Rules; and

   (b) a pro forma balance sheet of the enlarged Group upon completion of the resumption proposal of the Company of March 2013 and a comfort letter from its auditors under Rule 7.31 of the GEM Listing Rules.

In the same letter, the Company was also informed that the Company should also comply with the GEM Listing Rules and the GEM Listing Committee may modify the Resumption Conditions if the Company's situation changes.

As at the Latest Practicable Date, none of the above Resumption Conditions have been fulfilled but the above Resumption Condition (2) will be fulfilled upon the despatch of this circular. Shareholders and potential investors should note that the issuance of this circular and approval of the Acquisition by the Independent Shareholders does not necessarily indicate that the trading in the H Shares will be resumed.

Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the H Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

**EGM**

A notice convening the EGM is set out from pages EGM-1 to EGM-3 of this circular. The EGM will be convened at No.1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC on Tuesday, 23 July 2013 at 2:00 p.m. at which resolutions will be proposed to the Shareholders (where applicable, the Independent Shareholders) to consider and, if thought fit, approve the resolutions relating to the Sale and

Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement). Liancheng and its associates will abstain from voting at the EGM in respect of all the resolutions and the vote exercised by the Independent Shareholders at the EGM shall be taken by poll. Liancheng, holding 131,870,000 Shares (approximately 70.36% of the issued Shares of the Company) and one of its associates, Liancheng HK, holding 1,300,000 Shares (approximately 0.69% of the issued Shares of the Company), are required to abstain from voting at the EGM in respect of all the resolutions.

A reply slip for the purpose of informing the Company whether you will be attending (in person or by proxy) the EGM is also enclosed. You are reminded to complete and sign the reply slip (if you are entitled to attend the EGM) and return the signed slip to the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 2 July 2013 in accordance with the instructions printed thereon.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

**RECOMMENDATION**

The Directors believe that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

You are advised to read carefully the letter from the Independent Board Committee on pages 31 to 32 of this circular and the letter from the Independent Financial Adviser set out on pages 33 to 45 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental

Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement).

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

* *For identification purpose only*

*The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders for the purpose of incorporation in this 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)**

7 June 2013

*To the Independent Shareholders*

Dear Sirs,

## VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise you on the Sale and Purchase Agreement dated 7 November 2012 (as supplemented by the First Supplemental Agreement entered into on 12 March 2013 and the Second Supplemental Agreement entered into on 20 May 2013 (collectively "**the Supplemental Agreements**")), the Supplemental Agreements, the Excluded Interest Agreement entered into on 7 November 2012 and the transactions contemplated under each of the them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) (the "**Agreements and Proposed Transactions**"), details of which have been included in the "**Letter from the Board**" in this circular of the Company dated 7 June 2013 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We, being the independent non-executive Directors of the Independent Board Committee, herein provide you our letter in relation to our recommendation on the Agreements and Proposed Transactions.

REORIENT Financial Markets Limited has been appointed as the Independent Financial Adviser to advise you and us on the Agreements and Proposed Transactions. Details of their advice, together with the principal factors they have taken into consideration in giving such advice, are set out on pages 33 to 45 of the Circular.

Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Agreements and Proposed Transactions and taking into account the advice of the Independent Financial Adviser, we consider that the terms of the Agreements and Proposed Transactions are fair and reasonable so far as the Company and the Independent Shareholders are concerned,

* *For identification purpose only*

and are under normal commercial terms and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Agreements and Proposed Transactions.

Yours faithfully,
**Independent Board Committee**
**Messrs. Yang Chun Bao** **Wang Guo Zhong** **Zhang Cheng Ying**
*Independent non-executive Directors*

*The following is the text of a letter of advice from REORIENT Financial Markets Limited, the independent financial adviser to the Independent Board Committee and Independent Shareholders, for the purpose of incorporation into this circular.*

REORIENT 瑞東

Suites 1102-03, Far East Finance Centre
16 Harcourt Road, Admiralty, Hong Kong

7 June 2013

*The Independent Board Committee and Independent Shareholders*
*Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*

Dear Sirs,

**VERY SUBSTANTIAL ACQUISITION**
**AND**
**CONNECTED TRANSACTION**

**INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Acquisition, details of which are set out in the circular of the Company dated 7 June 2013 (the "Circular") of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

As set out in the letter from the Board in the Circular, on 7 November 2012, the Company and Liming (a 90%-owned subsidiary of the Company) entered into the Sale and Purchase Agreement pursuant to which the Company shall acquire a 90% equity interest in Anchor (excluding the Excluded Interest) from Liancheng, and Liming (a 90%-owned subsidiary of the Company) shall acquire a 10% equity interest in Anchor (excluding the Excluded Interest) from Mr Wang. For the purposes of setting out the terms to exclude the Excluded Interest from the Acquisition, on even date, the Company, Liming, the Vendors, Anchor and Special Cylinder entered into the Excluded Interest Agreement. On 12 March 2013 and 20 May 2013, the parties to the Sale and Purchase Agreement entered into the Supplemental Agreements pursuant to which the Long Stop Date in relation to the Acquisition has been extended to 31 December 2013.

Liancheng is the controlling shareholder of the Company together with its associate holding approximately 71.05% of the issued Shares as at the Latest Practicable Date. Based on the applicable Percentage Ratios for the Acquisition, the Acquisition constitutes a very substantial acquisition and a connected transaction for the Company subject to Independent Shareholders' approval under the GEM Listing Rules.

The Company has established the Independent Board Committee comprising all independent non-executive Directors, namely Messrs. Wang Guo Zhong, Yang Chun Bao and Zhang Cheng Ying, to give advice and recommendation to Independent Shareholders in respect of the Acquisition. We have been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the Acquisition.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular and those supplied or made available to us by the Directors and management of the Company. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the Directors and management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 17.92 of the GEM Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group.

## PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Acquisition, we have taken into consideration the following principal factors:

### Information on the Group

The Group is principally engaged in the manufacture and sale of fire-fighting equipment products and pressure vessels, provision of fire testing services, and manufacture and sale of iron casted grooved couplings. The Group's fire-fighting equipment products include fire extinguishers and fire extinguisher cylinders. The Company listed its H shares on GEM on 30 June 2004. Since 21 December 2006, the trading of the Company's H shares on GEM has been suspended.

Set out below are highlights of the recent audited financial results of the Group:

| | For the year ended 31 December | | |
|---|---|---|---|
| *RMB'000* | **2010** | **2011** | **2012** |
| Revenue | 21,362 | 38,506 | 35,735 |
| Profits/(Loss) before tax | 22,473 | 15,082 | 6,300 |
| Profits/(Loss) after tax | 22,473 | 14,900 | 5,786 |
| Revenue breakdown: | | | |
| Sale of fire-fighting equipment and pressure vessels | 21,362 | 34,687 | 26,833 |
| Testing services | – | 3,819 | 7,955 |
| Grooved couplings | – | – | 947 |
| Total revenue | 21,362 | 38,506 | 35,735 |

For the year ended 31 December 2011

For the year ended 31 December 2011, the Group's revenue amounted to approximately RMB38.5 million, representing an increase of approximately 80% from the previous year. Such increase was mainly attributable to the Group's sales efforts including its efforts in expanding its customer base. Furthermore, in May 2011, the Group expanded into the fire testing business by acquiring a 90% equity interest in Liming. Such business segment of providing fire testing services generated revenue of approximately RMB3.8 million for the Group for the year ended 31 December 2011.

For the year ended 31 December 2010, the Group recorded a gain of approximately RMB23.9 million arising from the reversal of impairment loss on reimbursement receivables for loss on financial guarantees. The Group provided guarantees in respect of certain bank loans borrowed by a subsidiary of the former controlling shareholder of the Company. The loans were defaulted and the Company was ordered by a PRC court to repay the loans giving rise to the impairment loss on reimbursement receivables. The impairment loss was reversed as a result of repayment of the relevant bank loans by the borrower. Excluding such gain from reversal of impairment loss, the Group reported a net loss after tax of RMB1.5 million for the year ended 31 December 2010. For the year ended 31 December 2011, the Group recorded a gain of approximately RMB11.1 million arising from the reversal of impairment loss on loan receivable from the former controlling shareholder. Certain bank loans were borrowed by the former controlling shareholder of the Company in the Company's name. The impairment loss was reversed as a result of repayment of the relevant bank loans by the former controlling shareholder. Excluding such gain from reversal of impairment loss, the Group reported net profits of RMB3.9 million for the year ended 31 December 2011, against a net loss after tax of RMB1.5 million in the previous year (after excluding the gain from reversal of impairment loss).

For the year ended 31 December 2012

The Group's revenue for the year ended 31 December 2012 amounted to approximately RMB35.7 million representing a 7.2% decrease from last year. The decrease was mainly attributable to the temporary suspension of certain certificates (which were subsequently resumed) in relation to the Group's products as a result of the relocation of the Group's production facilities. During the year, the Company was commissioned by an independent customer to design and develop iron casted grooved couplings for fire protection pipes. Sales of iron casted grooved couplings generated revenue of RMB947,000 for the Group during the year.

During the year ended 31 December 2011, the Group recorded a gain of approximately RMB11.1 million arising from the aforesaid reversal of impairment loss on loan receivable from the former controlling shareholder. Excluding such gain from reversal of impairment loss, the Group reported net profits of approximately RMB3.9 million for the year ended 31 December 2011. The Group reported net profits after tax of approximately RMB5.8 million for the year ended 31 December 2012 representing an increase of 49% from the Group's net profits of RMB3.9 million (after excluding the gain from reversal of the impairment loss) last year. The increase in net profits in 2012 (compared with net profits in 2011 after excluding the aforesaid reversal gain) was mainly attributable to the rental income and revaluation gain of approximately RMB3.2 million in aggregate derived from the Group's investment properties and the decrease in administrative expenses as a result of the Group's cost control measures.

The Group had net assets of approximately RMB51.8 million as at 31 December 2012 comprising total assets of approximately RMB65.9 million and total liabilities of approximately RMB14.1 million (of which approximately RMB8.2 million were current liabilities).

**Information on the Acquisition**

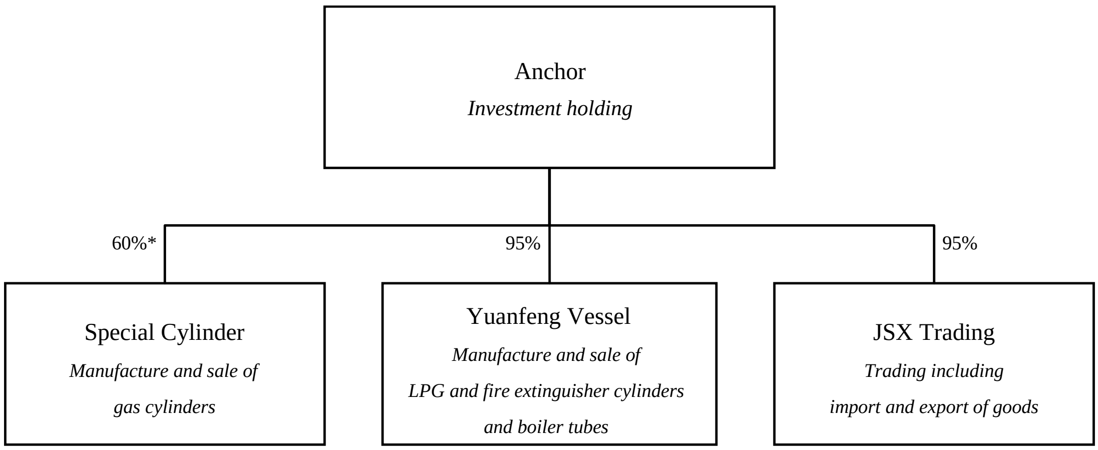
On 7 November 2012, the Company and Liming entered into the Sale and Purchase Agreement pursuant to which the Company shall acquire from Liancheng a 90% equity interest in Anchor (excluding the Excluded Interest) and Liming shall acquire from Mr Wang a 10% equity interest in Anchor (excluding the Excluded Interest) for an aggregate consideration of RMB6 million. On even date, the Company, Liming, the Vendors and Special Cylinder entered into the Excluded Interest Agreement to set out the terms for excluding the Excluded Interest from the Acquisition. On 12 March 2013 and 20 May 2013, the parties to the Sale and Purchase Agreement entered into the Supplemental Agreements pursuant to which the Long Stop Date in relation to the Acquisition has been extended to 31 December 2013. The Acquisition is subject to among others the Stock Exchange's approval of the Company's proposal to resume trading of its H shares on GEM while the Excluded Interest Agreement shall take effect upon completion of the Acquisition.

Liming is a 90%-owned subsidiary of the Company. Upon completion of the Acquisition, the Company will hold an effective interest of 99% in Anchor (excluding the Excluded Interest) and Anchor will become a subsidiary of the Company.

**Information on the Anchor Group**

Anchor holds (i) a 60% equity interest (but sharing 54% of the results) in Special Cylinder, (ii) a 95% equity interest in Yuangfeng Vessel and (iii) a 95% equity interest in JSX Trading. Based in Shanghai, the Anchor Group engages in the manufacture and sale of pressure cylinders and boiler tubes. Its products include gas cylinders for medical, military and other uses, liquefied petroleum gas (LPG) cylinders for vehicles and fire extinguisher cylinders. The Anchor Group also engages in the trading business including import and export of goods including pressure vessels.

Below is a group chart of the Anchor Group and principal activities of each member of the Anchor Group:




* *Anchor shares 54% of Special Cylinder's results*

As stated in the Letter from the Board, the major customers of the Anchor Group are trading companies, manufacturers of safety equipment, boilers, life rafts and inflatable rubber products and gas vessel company. Major suppliers of the Anchor Group include suppliers of metal sheets, steel tubes, valves and parts. The Anchor Group possesses the Manufacture License of Special Equipment (特種設備製造許可證) for high-pressure vessels, seamless gas cylinders, welded gas cylinders, special gas cylinders, Category I pressure vessels, and Category II low and medium pressure vessels and the Manufacture Enterprise License of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use.

The Anchor Group had 223 staff as at the Latest Practicable Date. Its products are manufactured in two production facilities in Shanghai located at (i) No. 18, Land 575, Jujiaqiao Road, Pudong New Area, Shanghai (上海市浦東新區居家橋路575弄18號) (i.e. the Relevant Property) and (ii) No. 648, Nanqiao Road, Nanqiao Town, Fengxian District, Shanghai (上海市奉賢區南橋鎮南橋路648號) (the "Other Property"). The Other Property is leased by Yuanfeng Vessel. Information in relation to the Relevant Property is set out in the section headed "The Relevant Property" below.

Profit sharing of Special Cylinder

Special Cylinder is owned as to 60% by Anchor and 40% by Shanghai Yangjing Industrial Co.* (上海洋涇工業公司) ("Yangjing"). However, Anchor and Yangjing respectively share 54% and 46% of the results of Special Cylinder. As set out in the Letter from the Board, due to overstatement of certain assets contributed by Shanghai High Pressure (the former equity interest holder of Special Cylinder) to Special Cylinder, Shanghai High Pressure and Yangjing agreed to respectively share 54% and 46% of the results of Special Cylinder pursuant to a supplemental agreement dated 11 July 2002 entered into between the parties. The Acquisition is agreed based on, among other things, the said profit sharing ratio between Anchor and Yangjing in Special Cylinder and the Company does not intend to revise the profit sharing ratio in Special Cylinder after completion of the Acquisition.

The Relevant Property

*Background*

The Relevant Property is the principal production facilities of Special Cylinder and Special Cylinder accounted for approximately 59% of the total revenue of the Anchor Group for the year ended 31 December 2012.

The Relevant Property is held by Shanghai Guangyang Enterprise Development Corp.* (上海廣洋企業發展總公司) ("Guangyang"), the holding company of Yangjing. For the purposes of Yangjing's subscription for the 40% equity interest in Special Cylinder, Guangyang agreed to transfer to Special Cylinder the legal title of the Relevant Property. Guangyang did not transfer the legal title of the Relevant Property to Special Cylinder, but allows Special Cylinder to use the Relevant Property. Guangyang remains the legal owner of the Relevant Property.

As stated in the letter from the Board in this circular, the Company's PRC legal advisers advise that Yangjing is regarded as the legal holder of the 40% equity interest in Special Cylinder and Special Cylinder is entitled to require Yangjing to procure the transfer of the legal title of the Relevant Property to Special Cylinder.

*The Excluded Interest Agreement*

In view of the aforesaid issues concerning the Relevant Property, the parties to the Sale and Purchase Agreement entered into the Excluded Interest Agreement to set out the terms for excluding the Excluded Interest from the Acquisition. The Excluded Interest Agreement shall take effect upon completion of the Acquisition. Pursuant to the Excluded Interest Agreement, the Excluded Interest shall be excluded from the Acquisition and shall remain vested with the Vendors, and the Vendors undertake not to intervene in the use of the Relevant Property by the Purchasers, Anchor and Special Cylinder free of charge. Furthermore, pursuant to the Excluded Interest Agreement, if the Purchasers, Anchor or Special Cylinder suffers any losses or incurs any expenses from any disputes arising from the Relevant Property, the Vendors shall fully indemnify the Purchasers for such losses or expenses.

*Urban redevelopment plan*

As stated in the letter from the Board, in January 2009, the People's Government of Pudong New District of Shanghai* (上海市浦東新區人民政府) agreed in principle on a development plan submitted by the New District Development Committee* (新區發展改革委). Under the redevelopment plan, a park will be developed in the area where the Relevant Property is situated and all the industrial buildings situated there are due to be demolished. The Directors confirm that as at the Latest Practicable Date, Special Cylinder or Anchor Group had not received any order or notice requesting Special Cylinder to move out of the Relevant Property, cease production or operation, or demolish any of the buildings of the Relevant Property. The Directors are not aware of any announcement on the implementation schedule of the redevelopment plan or when such redevelopment schedule will be announced.

*Contingency plans*

Special Cylinder intends to continue its principal operation on the Relevant Property. In case Special Cylinder is required to vacate the Relevant Property due to the redevelopment plan, Special Cylinder may relocate its manufacturing operation to factory premises owned by the Group.

As stated in the letter from the Board in this circular, the Company owns factory premises situated at 777 Chonggu Town Main Street and Chonggu Town South Street, Qingpu District, Shanghai with a total gross floor area of approximately 8,000 $m^2$ (the "Chonggu Property") which the Directors consider to be suitable to accommodate the manufacturing operation of Special Cylinder. The Chonggu Property is currently leased to an independent third party (the "Chonggu Lease") which is due to expire in November 2016 subject to a first right of refusal to renew under the equal terms offered by the Company to any third party. If such first right of refusal is not exercised, the Chonggu Lease will not be renewed.

Under the Company's plans to relocate the manufacturing facilities of Special Cylinder as a result of the PRC government (or its authorised administrative authorities) ordering Special Cylinder to leave the Relevant Property (the "Relocation Order"), Liancheng has agreed to compensate Special Cylinder and/or Anchor as follows.

(i) If the Relocation Order is made but no suitable replacement property (the "Replacement Property") is arranged or provided by the authorities to Special Cylinder and the Chonggu Property is not available to be leased by the Company to Special Cylinder, Special Cylinder will find and obtain lease of suitable factory premises to house its principal operation and Liancheng will reimburse Special Cylinder/Anchor for (a) the relocation expenses incurred and (b) the rental expenses incurred during the period after a Relocation Order is made and before the principal operation of Special Cylinder is moved into the Chonggu Property, to the extent that such relocation/rental expenses are not covered by any relocation/rental compensation received by Special Cylinder/Anchor from the authorities;

(ii) if the Relocation Order is made but no Replacement Property is arranged or provided by the authorities to Special Cylinder and the Chonggu Property is available to be leased by the Company to Special Cylinder, Special Cylinder will enter into a lease with the Company for the Chonggu Property at market rate and Liancheng will reimburse Special Cylinder/Anchor for the relocation expenses incurred to the extent that such relocation expenses are not covered by any relocation compensation received by Special Cylinder/Anchor from the authorities; and

(iii) if the Relocation Order is made but the Replacement Property is arranged or provided by the authorities to Special Cylinder, the principal operation of Special Cylinder will be relocated to that Replacement Property.

The Company states that pursuant to the relevant regulation in the PRC, the relevant local government making the Relocation Order shall compensate for the relocation expenses. As stated in the letter from the Board in this circular, the Contingency Plans represent the existing plans of the Company and they are subject to change in the future.

JSX Trading

JSX Trading is owned as to 95% by Anchor. It is engaged in the trading business including import and export of goods including pressure vessels. It exports the Group's products to overseas buyers mainly in Europe and the Middle East. In June 2011, the Company entered into an agency agreement with JSX Trading pursuant to which JSX Trading acts as an agent to export the Group's products. We understand from the Company that for the year ended 31 December 2012, the Group's sales to overseas customers through JSX Trading amounted to approximately RMB6.9 million and the relative commission payable by the Group to JSX Trading amounted to approximately RMB0.35 million.

**Financial information of the Anchor Group**

Set out below are the financial results of the Anchor Group extracted from the accountants' report on the Anchor Group set out in Appendix II to this circular.

| *RMB'000* | **For the year ended 31 December** | | |
|---|---|---|---|
| | **2010** | **2011** | **2012** |
| Revenue | 87,358 | 82,119 | 65,319 |
| Profit/(Loss) before tax | (3,802) | 2,663 | 708 |
| Profit/(Loss) after tax | (4,611) | 1,842 | 454 |
| Revenue breakdown: | | | |
| Pressure vessels | 73,407 | 70,997 | 55,128 |
| Trading | 13,951 | 11,122 | 10,191 |
| Total revenue | 87,358 | 82,119 | 65,319 |

For the year ended 31 December 2011

The Anchor Group reported revenue of approximately RMB82.1 million for the year ended 31 December 2011, representing a decrease of approximately 6% from the previous year. As set out in the management discussion and analysis on the Anchor Group in Appendix II to this circular (the "MD&A"), the decrease in revenue was mainly attributable to the decrease in the sales of aluminum cylinders as a result of rising aluminum costs in the first half of 2011. The effect of the decrease in aluminum cylinder sales was partially offset by the increase in the sales of boiler tubes, a new product launched by the Anchor Group in October 2010. Furthermore, JSX Trading entered into an agency agreement with the Company in June 2011 under which JSX Trading reports commission income for exporting the Group's products. The agency arrangement resulted in the decrease in trading revenue of the Anchor Group for the year ended 31 December 2011.

The gross profit ratio of the Anchor Group was 18.2% for 2011 compared to 17.2% for 2010.

The Anchor Group reported net profits after tax of approximately RMB1.8 million for the year ended 31 December 2011 compared to a net loss after tax of RMB4.6 million for the previous year. The improvement in net profits was attributable to the following reasons. For the year ended 31 December 2010, the Anchor Group made provision for receivables of approximately RMB4.7 million compared to provision of approximately RMB0.13 million made for the year ended 31 December 2011. Furthermore, the Anchor Group's distribution expenses for 2011 reduced compared to the previous year as a result of the Anchor Group's efforts in managing and consolidating its selling and distribution resources.

For the year ended 31 December 2012

As set out in the MD&A, the Anchor Group's sales for the year ended 31 December 2012 decreased to approximately RMB65.3 million from RMB82.1 million last year. The decrease in sales was mainly attributable to the decrease in overseas sales and trading revenue in the face of the poor European market. Furthermore, as a result of the agency arrangement with the Group since June 2011, the Anchor Group reports commission income for exporting the Group's products resulting in the decrease in trading sales for the year ended 31 December 2012.

The gross profit ratio of the Anchor Group was 16.7% for 2012 compared to 18.2% for 2011. As set out in the MD&A and explained by the Directors, certain trading business which yielded a higher profit margin ceased in 2011 in the face of rising costs. Moreover, there was a new trading business customer with a lower gross profit margin in 2012 contributing to the decrease in the gross profit ratio in 2012.

The Anchor Group reported net profits of approximately RMB454,000 for the year ended 31 December 2012 compared to net profits of approximately RMB1.8 million last year. The decrease in net profits was mainly attributable to the decrease in revenue as stated above.

As at 31 December 2012, excluding the Excluded Interest, the Anchor Group had net assets of approximately RMB24.9 million comprising total assets of RMB48.4 million and total liabilities of approximately RMB23.5 million. The total assets (excluding the Excluded Interest) comprised property, plant and equipment of approximately RMB7 million, cash and bank balances of approximately RMB9.1 million, inventories of approximately RMB14.2 million, trade and bills receivables of approximately RMB13.1 million and other assets of approximately RMB5 million. The total liabilities were all current liabilities comprising trade payables of approximately RMB7.1 million, other payables and accruals of approximately RMB3.6 million and the amounts due to fellow and former fellow subsidiaries, immediate holding company and non-controlling interests of the Anchor Group of approximately RMB12.8 million. The total current assets (which do not include the Excluded Interest) less the total liabilities of the Anchor Group amounted to approximately RMB17.9 million as at 31 December 2012.

**The Consideration payable for the Acquisition**

The aggregate consideration for the Acquisition is RMB6 million. As set out in the letter from the Board in this circular, the Consideration was determined after arm's-length negotiation between the parties to the Sale and Purchase Agreement with reference to, among other things, the historical performance and future business prospects of the Anchor Group, net asset value of the Anchor Group (excluding the Excluded Interest), the total acquisition costs of the Anchor Group to the Vendors in April 2011 and the aforesaid uncertainty concerning the Relevant Property. In April 2011, the Vendors acquired the Anchor Group (including the Excluded Interest) for a consideration of RMB25 million. After deducting the book value of the Excluded Interest of approximately RMB7.4 million as at 28 February 2011, the Vendors' acquisition costs of the Anchor Group would amount to approximately RMB17.6 million, which would be higher than the Consideration amount. The Consideration is payable by the Company and Liming within 12 months after completion of the registration procedure for the change of Anchor's equity interest holders pursuant to the Acquisition. As stated in the letter from the Board in this circular, the Consideration will be satisfied in cash by utilising the existing RMB50 million loan facility provided by Liancheng and Hengtai Real Estate (Liancheng's holding company) of which RMB1.8 million had been utilized and RMB48.2 million was still available as at 30 April 2013.

Based on the consolidated net profits after tax of Anchor attributable to its shareholders for the year ended 31 December 2012, the Consideration represents a price-to-earnings ratio of 19.7 times. Based on the consolidated net asset value attributable to its shareholders (excluding the Excluded Interest) as at 31 December 2012, the consideration represents a price-to-book ratio of 0.23.

The Anchor Group is primarily engaged in the manufacture and sales of pressure vessels in the PRC. Its products include gas cylinders for medical, military and other uses, LPG cylinders for vehicles and fire extinguisher cylinders. Based on available public information, as at the Latest Practicable Date we had not been able to identify any transactions undertaken by listed companies on the Stock Exchange to acquire or dispose of companies similar to the Anchor Group.

Among the companies listed on the Stock Exchange, CIMC Enric Holdings Limited ("CIMC") participates in among others the pressure vessel business although CIMC's scale of operation is much greater than that of the Anchor Group. According to the annual report 2012 of CIMC, it is engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance service for, a wide spectrum of transportation, storage and processing equipment that is widely used in the energy, chemical and liquid food industries. CIMC's products include seamless pressure cylinders, containers for LPG and CNG and containers for liquefied or gasified chemicals while the Anchor Group's products include boiler tubes, pressure vessels such as gas cylinders for medical, military and other uses, and LPG and extinguisher cylinders. Based on the consolidated net profits after tax of CIMC for the year ended 31 December 2012 attributable to its shareholders, the consolidated net asset value of CIMC as at 31 December 2012 attributable to its shareholders and the highest and lowest market capitalization of CIMC since 19 March 2013 (when CIMC published its 2012 annual financial results) up to the Latest Practicable Date, CIMC's price-to-earnings ratio ranges from 10.7 times to 20.8 times and CIMC's price-to-book ratio ranges from 2.0 times to 3.9 times.

The price-to-earnings ratio for the Acquisition is within the aforesaid recent range of price-to-earnings ratio of CIMC and is slightly lower than the aforesaid recent highest price-to-earnings ratio of CIMC. Affected by the poor market conditions in Europe, the Anchor Group's net profits decreased for 2012 increasing the price-to-earnings ratio for the Acquisition. The Directors consider that the Anchor Group's performance in Europe should gradually recover as the European market conditions improve.

The price-to-book ratio for the Acquisition is far below that of CIMC. The consideration for the Acquisition represents a substantial discount to the net asset value of the Anchor Group (excluding the Excluded Interest) as at 31 December 2012 of approximately 76% and a substantial discount to the total current assets less total liabilities of the Anchor Group as at 31 December 2012 of approximately 66%. The total current assets of the Anchor Group of approximately RMB41.4 million as at 31 December 2012 comprised cash and bank balances of approximately RMB9.1 million, trade and bills receivables of approximately RMB13.1 million, prepayments, deposits and other receivables of approximately RMB4.3 million, inventories of approximately RMB14.2 million and other assets of approximately RMB0.7 million. Such total current assets are primarily composed of cash, inventories, and trade and bill receivables realizable within a year. If realized at their book values after repaying all liabilities of the Anchor Group, it would yield a net realizable value of approximately RMB17.9 million representing a surplus in value of approximately RMB11.9 million over the Consideration of RMB6 million. The Consideration would be considerably lower than the net realizable value of the Anchor Group's total current assets less all liabilities. Given the aforesaid, we consider that the consideration for the Acquisition is fair and reasonable.

**Reasons for and benefits of the Acquisition**

The Group is principally engaged in the manufacture and sale of fire-fighting equipment products and pressure vessels, provision of fire testing services, and manufacture and sale of iron casted grooved couplings. The Group's fire-fighting equipment products include fire extinguishers and fire extinguisher cylinders. The Anchor Group is engaged in the manufacture and sale of cylinders, including boiler tubes and pressure vessels such as gas cylinders for medical equipment, military use, LPG cylinders for motor vehicle use. The Anchor Group possesses the Manufacture Enterprise License of Medical Equipment (醫療器械生產企業許可證) for the manufacture of Category II gas equipment for medical use and such license is not held by the Group. Both the Group and the Anchor Group produce pressure vessels but primarily of different kinds and their major customers are different. The Acquisition of the Anchor Group will expand the Group's product range, enlarge the Group's customer base and develop new markets for the Group. The Company also believes that the Acquisition of the Anchor Group would provide an opportunity for the Group to raise its production scale improving its production efficiency and to share technology with the Anchor Group in production and product development.

The Anchor Group also engages in the export and import business. JSX Trading (a member of the Anchor Group) exports the Group's products to overseas customers. We understand from the Company that for the year ended 31 December 2011, the Group's sales to overseas customers through JSX Trading amounted to RMB6.9 million and the relative commission payable by the Group to JSX Trading amounted to approximately RMB0.35 million. The Directors consider that acquiring JSX Trading under the Acquisition will allow the Group to expand its overseas market by leveraging on JSX Trading's relationships with overseas customers and to capture the margin earned by JSX Trading in exporting the Group's products.

The Contingency Plans are designed to insure the Company against relocation costs and/or rental expenses in case Special Cylinder is required to relocate its manufacturing facilities on the Relevant Property due to the urban redevelopment plan and a replacement property is not provided by the relevant PRC authority. Pursuant to the Excluded Interest Agreement, the Purchasers are indemnified by the Vendors in case that the Purchasers, Anchor or Special Cylinder suffers any losses or incurs any expenses from any disputes arising from the Relevant Property. Yet the possible relocation of Special Cylinder's manufacturing facilities may cause interruption to Special Cylinder's business. We understand from the Company that if Special Cylinder is requested to relocate its manufacturing facilities, sufficient advance notice would be given by the relevant PRC government authorities and the Company will endeavour to minimize disruption to Special Cylinder's business with efforts focused on arranging new premises, equipment installation, staff arrangement and maintaining sufficient inventory. Given the consideration for the Acquisition represents a substantial discount to the net asset value of the Anchor Group (excluding the Excluded Interest) as at 31 December 2012 and a substantial discount to the total current assets less total liabilities of the Anchor Group as at 31 December 2012, we consider the Acquisition represents a good opportunity for the Group to expand into new markets at an economical price.

The Company's H Shares have been suspended since 21 December 2006 due to issues concerning among others its sufficiency of operation. The Anchor Group would substantially expand the Group's business into new markets which the Directors believe and we agree would facilitate the Company's proposal to resume trading of its H Shares on GEM of the Stock Exchange. By a letter dated 22 March 2013, the Exchange informed the Company that it is allowed to proceed with the Resumption Proposal subject to inter alia completion of the Acquisition. The implementation of the Acquisition is therefore essential to the Company's proposal to resume trading of its H shares on GEM.

**Financial effects of the Acquisition**

Upon completion of the Acquisition, the Company will hold an effective interest of 99% in Anchor and Anchor will become a subsidiary of the Company. As set out in Appendix III to this circular, the Group and the Anchor Group are under common control by Liancheng and therefore the Acquisition will be accounted for by using merger accounting which incorporates the financial information of the Group and the Anchor Group (excluding the Excluded Interest) as if they had been combined from the date when they were first come under the control of Liancheng.

Appendix III to this circular sets out the pro forma financial information of the Enlarged Group combining the Group and the Anchor Group as if the Enlarged Group had been in existence on 1 January 2012. The Enlarged Group would have total revenue of approximately RMB100.5 million compared to the Group's revenue of approximately RMB35.7 million for the year ended 31 December 2012. The Enlarged Group would report total net profits of approximately RMB6.2 million compared to the Group's net profits of approximately RMB5.8 million for the year ended 31 December 2012. The Enlarged Group would have net assets of approximately RMB70.7 million compared to the Group's net assets of approximately RMB51.8 million as at 31 December 2012. As stated in Appendix III, the Directors consider that taking into account the financial resources available to the Enlarged Group, it will have sufficient working capital for the next 12 months. As shown in the pro forma financial information of the Enlarged Group, the Acquisition would substantially raise the scale of operation of the Group increasing its sales and net assets while the Group's net profits would be slightly improved as a result of the Acquisition.

**CONCLUSION**

Having considered the above principal reasons and factors including reasons for and benefits of the Acquisition, we are of the view that the transactions contemplated under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements and the Excluded Interest Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated thereon.

Yours faithfully,
For and on behalf of
**REORIENT Financial Markets Limited**
**Allen Tze**
*Managing Director*

Financial information of the Group for the three years ended 31 December 2010, 2011 and 2012 are disclosed on pages 22-77 of the 2010 Annual Report published on 30 March 2011, pages 23-85 of the 2011 Annual Report published on 1 April 2012 and pages 27-95 of the 2012 Annual Report published on 27 March 2013 respectively, which were published on the Stock Exchange website (www.hkexnews.hk).

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP**

**(a) For the year ended 31 December 2012**

***Business and financial review***

The Group's total revenue for the year ended 31 December 2012 amounted to approximately RMB35.7 million and it mainly included sales of fire-fighting equipment and pressure vessels of approximately RMB26.8 million, revenue from provision of fire testing services of approximately RMB8.0 million and sales of grooved couplings of approximately RMB0.9 million.

The Group's total revenue decreased by approximately 7.3% from approximately RMB38.5 million for the year ended 31 December 2011 to approximately RMB35.7 million for the year of 2012. The decrease was mainly attributable to (i) the approximately RMB7.8 million decrease in sales of fire-fighting equipment and pressure vessels; which was partly offset by (ii) the approximately RMB4.1 million increase in revenue from the provision of fire testing services; and (iii) the approximately RMB0.9 million sales of grooved couplings.

Sales of fire-fighting equipment and pressure vessels decreased by approximately 22.6% from approximately RMB34.7 million for 2011 to approximately RMB26.8 million for 2012 partly because, according to the Directors, of the suspension of the Company's Certificates for Product Type Approval by the China Certification Centre for Fire Products of the Ministry of Public Security of the PRC (中國公安部消防產品合格評定中心) for its water spray fire extinguishers and carbon dioxide fire extinguishers for the period from March to July 2012 and dry powder fire extinguishers for the period from March 2012 to February 2013, as the Company's factory did not pass the inspection at that time. Revenue from the provision of fire testing services increased by approximately 108% from approximately RMB3.8 million for 2011 to approximately RMB8.0 million for 2012. Liming was acquired in mid 2011 and its results were recorded on a full-year basis in 2012.

The Group's gross margin of approximately 25.3% for the year ended 31 December 2012 was relatively stable as compared to that of approximately 25.4% for the preceding year. Although the gross margin for the fire extinguishers decreased from approximately 24.8% for the year of 2011 to approximately 19.4% for 2012, the fire testing services recorded a much higher gross margin of approximately 51% and these led to an overall stable gross margin of the Group.

For the year of 2012, the Group recorded a net profit of approximately RMB5.8 million, which represented a decrease of approximately 61.2% from RMB14.9 million for 2011. Net profit margin amounted to approximately 16.2% for 2012 and 38.7% for 2011. The approximately RMB9.1 million difference in net profit was mainly due to a reversal of impairment loss on loan receivable from former controlling shareholder of the Company of approximately RMB11.1 million in 2011 and an approximately RMB0.9 million gain on bargain purchase in 2011 which were one-off in nature. The decrease in income from the aforesaid items in 2012 was partly offset by the approximately RMB2.4 million increase in other income and gains in 2012.

Other income and gains significantly increased by approximately RMB2.3 million from approximately RMB2.0 million for 2011 to approximately RMB4.3 million for 2012. Such increase was mainly due to the increase in rental income of approximately RMB1.2 million and fair value gains on investment properties of approximately RMB1.2 million. Administrative expenses decreased by approximately 19.7% from approximately RMB7.8 million for 2011 to approximately RMB6.2 million for 2012. The decrease was primarily attributable to the reduction in the number of administrative staff and the cost control on administrative expenses.

Basic earnings per Share for the year ended 31 December 2012 was approximately RMB0.03 (2011: RMB0.08).

***Liquidity, financial resources and funding***

As at 31 December 2012, the Group had current assets of approximately RMB32.9 million and current liabilities of approximately RMB8.2 million. The Group's current assets mainly included inventories of approximately RMB7.0 million (2011: RMB6.1 million), trade receivables of approximately RMB8.8 million (2011: RMB8.9 million) and cash and cash equivalents of approximately RMB12.7 million (2011: RMB6.8 million).

Current liabilities included mainly trade payables of approximately RMB3.6 million (2011: RMB4.5 million) and other payables and accruals of approximately RMB4.5 million (2011: RMB4.2 million).

As at 31 December 2012, the Group had net asset value of approximately RMB51.8 million (2011: RMB45.1 million).

The cash and cash equivalents of the Group significantly increased from approximately RMB6.8 million as at 31 December 2011 to approximately RMB12.7 million as at 31 December 2012. The increase was mainly contributed by the positive operating cash flows during the year.

As at 31 December 2012, the Group did not have any short-term borrowings.

The Group's gearing ratio, which was expressed as a percentage of the total bank borrowings over total assets, was nil (2011: Nil) as at 31 December 2012.

***Charge on assets***

As at 31 December 2012, there was no charge, fixed or floating, on the assets of the Group.

***Significant investment held***

Other than the non-current assets as disclosed in the audited statement of financial position as at 31 December 2012 in the 2012 Annual Report, the Group did not hold any significant investment during the year ended 31 December 2012.

***Material acquisitions and disposals of subsidiaries and associated companies***

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2012.

***Capital commitment***

As at 31 December 2012, other than the proposed Acquisition and the operating lease arrangements as disclosed in the 2012 Annual Report, the Group had no significant capital commitments.

***Foreign currency exposure***

The Group does not have significant foreign currency exposure arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

***Human resources***

As at 31 December 2012, the Group had approximately 161 employees.

The total staff costs, including directors' remuneration, amounting to approximately RMB6.5 million for the year ended 31 December 2012. Employees were remunerated with reference to their performance, experience and prevailing industry practice.

***Contingent liabilities***

As at 31 December 2012, the Group did not have any significant contingent liabilities.

***Prospects***

According to the Directors, the Group intends to cement internal management, strengthen operating efficiency, develop new products and control production costs. Efforts will be made to develop domestic operating networks and export agents, with an aim to expand sales. Upon sharpening the competitive edge and expanding customer resources, the Company will also aim to increase equipment utilisation and expand production. The Group will conduct its businesses in multiple channels in a move to improve its performance. The Group currently do not have future plans for material investments or capital assets in the coming year.

**(b) For the year ended 31 December 2011**

***Business and financial review***

The Group's total revenue for the year ended 31 December 2011 amounted to approximately RMB38.5 million and it mainly included sales of fire-fighting equipment and pressure vessels of approximately RMB34.68 million and income from provision of fire testing services of approximately RMB3.8 million.

After the debt restructuring in 2010, the management of the Group spent more effort in improving the business of the Group during 2011 and the Group's revenue for 2011 increased by approximately 80.3% to approximately RMB38.5 million as compared to that of 2010. The approximately RMB17.1 million increase in revenue was mainly due to (i) the RMB9.6 million sales of fire-fighting equipment and pressure vessels to new customers; and (ii) the contribution of approximately RMB4.0 million to the Group's revenue from a new subsidiary, Liming, which was engaged in the provision of fire testing services.

In line with the increase with revenue, gross profit increased from approximately RMB1.4 million for 2010 to approximately RMB9.8 million for 2011. Gross margin significantly improved from approximately 6.4% for 2010 to approximately 25.4% for 2011. Such improvement was mainly attributable to, as considered by the Directors, (i) the increase in gross margin of the existing products as a result of the management's cost control measures; and (ii) generally higher margin on the provision of fire testing services and processing of steel cylinders as no significant cost of materials were incurred.

Net profit margin of the Group for 2011 was approximately 39% which significantly decreased from approximately 105% for 2010. Despite the increase in sales, the net profit decreased by approximately RMB7.6 million from approximately RMB22.5 million for 2010 to approximately RMB14.9 million for 2011 mainly because of (i) the approximately RMB8.4 million increase in gross profit in 2011, which had been more than offset by the approximately RMB12.8 million decrease in the reversal of impairment loss (from approximately RMB23.9 million for 2010 to approximately RMB11.1 million for 2011); and (ii) the approximately RMB3.5 million decrease in other income and gains.

Other income and gains for 2011 decreased mainly because there was a one-off payable waived by the former controlling Shareholder of approximately RMB4.7 million in 2010. No financial costs were incurred in 2011 since, as advised by the Directors, the debt restructuring of the Group was completed during 2010.

Basic earnings per Share for the year ended 31 December 2011 was approximately RMB0.08 (2010: RMB0.12).

***Liquidity, financial resources and funding***

As at 31 December 2011, the Group had current assets of approximately RMB26.0 million and current liabilities of approximately RMB8.7 million. The Group's current assets mainly included inventories of approximately RMB6.1 million (2010: RMB6.6 million), trade receivables of approximately RMB8.9 million (2010: RMB3.1 million) and cash and cash equivalents of approximately RMB6.8 million (2010: RMB11.8 million).

Current liabilities included mainly trade payables of approximately RMB4.5 million (2010: RMB3.8 million) and other payables and accruals of approximately RMB4.2 million (2010: RMB9.4 million).

As at 31 December 2011, the Group had net asset value of approximately RMB48.9 million (2010: RMB17.3 million).

The cash and cash equivalents of the Group decreased from approximately RMB11.8 million as at 31 December 2010 to approximately RMB6.8 million as at 31 December 2011. The decrease was mainly attributable to the acquisition of an investment property by the Group during the year and negative operating cash flows, partly as a result of increase in trade receivables.

As at 31 December 2011, the Group did not have any short-term borrowings.

The Group's gearing ratio, which was expressed as a percentage of the total bank borrowings over total assets, was nil (2010: Nil) as at 31 December 2011.

***Charge on assets***

As at 31 December 2011, there was no charge, fixed or floating, on the assets of the Group.

***Significant investment held***

Other than those disclosed in the 2011 Annual Report, the Group did not hold any significant investment during the year ended 31 December 2011.

***Material acquisitions and disposals of subsidiaries and associated companies***

In 2011, the Company acquired 90% equity interest in Liming and office in Shanghai at a cash consideration of approximately RMB1.8 million and approximately RMB5.0 million respectively (2010: Nil).

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2011.

***Capital commitment***

As at 31 December 2011, the Group had no significant capital commitments.

***Foreign currency exposure***

The Group does not have significant foreign currency exposure arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

***Human resources***

As at 31 December 2011, the Group had approximately 164 employees.

The total staff costs, including directors' remuneration, amounting to approximately RMB6.9 million for 2011. Employees were remunerated with reference to their performance, experience and prevailing industry practice.

***Contingent liabilities***

As at 31 December 2011, the Group did not have any significant contingent liabilities.

**(c) For the year ended 31 December 2010**

***Business and Financial Review***

The revenue of the Group (comprising the Company only in 2010) for the year ended 31 December 2010 amounted to approximately RMB21.4 million and it mainly represented sales of fire-fighting equipment and pressure vessels. The Group recorded a 5% increase in revenue from approximately RMB20.4 million in 2009 to RMB21.4 million in 2010. Business operations for 2010 were maintained more or less at the same level of the preceding year as the management of the Group had to focus on the debt restructuring of the Company during 2010.

Gross margin of the Group improved from approximately 5.1% for 2009 to approximately 6.4% for 2010 and the gross profit increased by approximately 31% from approximately RMB1.04 million in 2009 to approximately RMB1.37 million in 2010. The improvement in gross margin was mainly attributable to the implementation of some cost control measures during 2010, such as establishing a direct relationship with a major supplier to reduce the costs of materials.

The Group recorded a net profit of approximately RMB22.5 million for 2010 which represented a net profit margin of approximately 105% and the net profit margin for 2009 was approximately 30%. The increase in net profit by approximately RMB16.3 million in 2010 was mainly due to a reversal of impairment loss of approximately RMB23.9 million in 2010, which was partly offset by (i) the approximately RMB7.1 million decrease in other income and gains in 2010; and (ii) the approximately RMB1.27 million increase in administrative expenses.

The Group had provided financial guarantees to secure bank loans to a former related company. Since the former related company subsequently defaulted on payment of such loans, the Group incurred loss on such financial guarantees which were taken up as reimbursement receivables from a former related company. During 2010, the related bank loans and related expenses of RMB23.9

million were settled and the previous impairment loss on reimbursement receivables for loss on financial guarantees were reversed and the Group recognised approximately RMB23.9 million as income for 2010.

Other income and gains decreased by approximately RMB7.1 million for 2010 and this was mainly the result of decrease in write back of payables waived by suppliers and the former controlling shareholder of the Company, which in aggregate decreased from approximately RMB11.2 million in 2009 to approximately RMB4.7 million in 2010.

The Group recorded an approximately 22% increase in administrative expenses from approximately RMB5.9 million for 2009 to approximately RMB7.1 million for 2010. The Directors believe that the increase in administrative expenses in 2010 was mainly attributable to the legal and professional expenses in relation to the application for resumption of trading in the H Shares.

Basic earnings per Share for the year ended 31 December 2010 was approximately RMB0.12 (2009: RMB0.033).

***Liquidity, financial resources and funding***

According to the 2010 Annual Report the Group had current assets of approximately RMB23.4 million and current liabilities of approximately RMB13.2 million. The Group's current assets mainly included inventories of approximately RMB6.6 million (2009: RMB5.5 million), trade receivables of approximately RMB3.1 million (2009: RMB2.9 million) and cash and cash equivalents of approximately RMB11.8 million (2009: RMB0.5 million).

Current liabilities included mainly trade payables of approximately RMB3.8 million (2009: RMB2.8 million) and other payables and accruals of approximately RMB9.4 million (2009: RMB31.2 million).

As at 31 December 2010, the Group had net asset value of approximately RMB17.3 million (2009: net liabilities of approximately RMB29.7 million).

The cash and cash equivalents of the Group increased from approximately RMB0.5 million as at 31 December 2009 to RMB11.8 million as at 31 December 2010. The increase was mainly attributable to the advance from the holding company and increase in other payables and accruals, which was partly offset by the repayment of bank loans.

As at 31 December 2009, the Group had short-term borrowings of approximately RMB24.7 million. The Group has settled all the bank borrowings and facilities in 2010.

The Group's gearing ratio, which was expressed as a percentage of the total bank borrowings over total assets, as at 31 December 2010 was nil (2009: 61.8%).

***Charge on assets***

As at 31 December 2010, other than the pledge of assets as mentioned in note 30(c) to the financial statements in the 2010 Annual Report there was no charge, fixed or floating, on the assets of the Group.

***Significant investments held***

The Group did not hold any significant investments as at 31 December 2010.

***Material acquisitions and disposals of subsidiaries and associated companies***

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2010.

***Capital commitment***

As at 31 December 2010, the Group had no significant capital commitments.

***Foreign currency exposure***

The Group does not have significant foreign currency exposure arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

***Human resources***

As at 31 December 2010, the Group had 139 employees.

The total staff costs, including directors' remuneration, amounting to approximately RMB4.7 million for 2010. Employees were remunerated with reference to their performance, experience and prevailing industrial practice.

***Contingent liabilities***

As at 31 December 2010, the Group did not have any significant contingent liabilities.

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ascenda Cachet CPA Limited, in respect of the accountants' report on Shanghai Anchor Pressure Vessel (Group) Co., Limited (the "***Target Company***") and its subsidiaries (collectively, the "***Target Group***") as set out in this appendix.*

Ascenda CACHET 天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

7 June 2013

The Board of Directors
**Shanghai Qingpu Fire-Fighting Equipment Co., Limited**

Dear Sirs,

We set out below our report on the financial information relating to 上海鐵錨壓力容器(集團)有限公司(Shanghai Anchor Pressure Vessel (Group) Co., Limited*) (formerly known as 上海元支高壓容器有限公司 (Shanghai Yuanzhi Pressure Vessel Co., Limited*)) (the "**Target Company**") and its subsidiaries, namely (i) 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Limited*, "Special Cylinder", formerly known as 上海高壓容器廠洋涇分廠 (Shanghai High Pressure Container Factory Yangjing Branch Factory*)); (ii) 上海元奉高壓容器有限公司 (Shanghai Yuanfeng Pressure Vessel Co., Limited*, "Yuanfeng Vessel"); and (iii) 上海元蓬國際貿易有限公司 (Shanghai J.S.X. International Trading Corporation*, "**JSX Trading**"), (collectively, the "**Target Group**") for inclusion in a circular (the "**Circular**") dated 7 June 2013 issued by Shanghai Qingpu Fire-Fighting Equipment Co., Limited (the "**Company**") in connection with the Acquisition (as defined herein below) of the 100% equity interest in the Target Company (the "**Sale Shares**"). On 7 November 2012, the Company and its non-wholly-owned subsidiary, Shanghai Liming Fire Testing Co., Limited ("**Liming**") (collectively, the "**Purchasers**"), entered into a sale and purchase agreement ("**Agreement**") and supplemented by the supplemental agreements dated 12 March 2013 and 20 May 2013 (and an Excluded Interest agreement with the Vendors, Target Company and Special Cylinder, a subsidiary of the Target Company, as part of the transaction under the Agreement) with Liancheng Fire-Fighting Group Company Limited, a controlling shareholder of the Company ("**Liancheng**"), and Mr. Wang Sheng (the "**Mr. Wang**"), an independent third party (collectively, the "**Vendors**"), pursuant to which, the Company and Liming shall acquire from the Vendors the entire issued share capital of the Target Company and its subsidiaries, except for the land and building situated at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai (the "**Excluded Interest**") held by Special Cylinder, at a consideration of RMB6 million (the "**Acquisition**"). The consideration shall be settled by cash within 12 months after the completion of the registration procedure for the change of Anchor's shareholders in connection with the Acquisition.

The financial information comprises the consolidated statement of financial position of the Target Group and the statement of financial position of the Target Company as at 31 December 2010, 2011 and 2012, the consolidated income statements, the consolidated statements of comprehensive income, the

* *for identification purpose only*

consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for the years then ended (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (the "**Financial Information**").

The Acquisition constitutes a very substantial acquisition and a connected transaction of the Company under the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and is subject to the approval by the independent shareholders of the Company at an extraordinary general meeting of the Company to be convened.

The Target Company was established in the People's Republic of China (the "**PRC**") with limited liability on 30 May 2007. Pursuant to a special resolution passed on 28 August 2009, the name of the Target Company was changed from "上海元支高壓容器有限公司" to "上海鐵錨壓力容器(集團)有限公司". On 12 April 2011, Liancheng and Mr. Wang entered into a sale and purchase agreement with independent third parties, pursuant to which, Liancheng and Mr. Wang acquired 100% equity interest in the Target Company from vendors. The principal activities of the Target Company were investment holding and trading of pressure vessels. The Target Company ceased its trading business since April 2011 and remained as investment holding thereafter. The Target Group was principally engaged in the manufacturing and sale of pressure vessels during the Relevant Periods.

Special Cylinder was established in the PRC with limited liability on 8 December 1996. Pursuant to a special resolution passed on 11 July 2002, the name of Special Cylinder was changed from "上海高壓容器廠洋涇分廠" to "上海高壓特種氣瓶有限公司". On 23 July 2007, the Target Company entered into a sale and purchase agreement with a fellow subsidiary of the former immediate holding company of the Company, pursuant to which, the Target Company acquired 60% equity interest in Special Cylinder from the vendor. During the Relevant Periods, the Target Company held 60% equity interest in Special Cylinder and shared 54% of its results. The principal activity of Special Cylinder was the manufacturing and sales of high pressure special gas containers for military use and civil use during the Relevant Periods.

Yuanfeng Vessel was established in the PRC with limited liability on 12 September 2007. During the Relevant Periods, the Target Company held 95% equity interest in Yuanfeng Vessel. The principal activity of Yuanfeng was the manufacturing and sales of pressure vessels for fire-fighting use and Liquefied Petroleum Gas for vehicle use during the Relevant Periods.

JSX Trading was established in the PRC with limited liability on 18 April 2005. On 13 April 2009, the Target Company entered into a sale and purchase agreement with independent third parties, pursuant to which, the Target Company acquired 95% equity interest in JSX Trading. The principal activity of JSX Trading was the import and export of goods, sale of sanitary ware and pressure vessels and containers for various purposes, including but not limited to fire-fighting, during the Relevant Periods. JSX Trading started its agency services for the export of pressure vessels since 1 July 2011.

The Target Company has its statutory financial statements prepared in accordance with the accounting principles and regulations applicable to enterprises established in the PRC. These statutory financial statements for the year ended 31 December 2010 were audited by Zhejiang Weining Certified Public Accountants Co., Limited. No statutory financial statements have been prepared by the Target Company for the years ended 31 December 2011 and 2012. As at the date of this report, no consolidated financial statements of the Target Group have been prepared by the directors of the Target Company since its incorporation.

Special Cylinder has its statutory financial statements prepared in accordance with the accounting principles and regulations applicable to enterprises established in the PRC. These statutory financial statements for the year ended 31 December 2010 were audited by Zhejiang Weining Certified Public Accountants Co., Limited and for the years ended 31 December 2011 and 2012 were audited by Special Junkai Certified Public Accountants of China Co., Limited.

Yuanfeng Vessel has its statutory financial statements prepared in accordance with the accounting principles and regulations applicable to enterprises established in the PRC. These statutory financial statements for the year ended 31 December 2010 were audited by Zhejiang Weining Certified Public Accountants Co., Limited. No statutory financial statements have been prepared by Yuanfeng Vessel for the years ended 31 December 2011 and 2012.

JSX Trading has its statutory financial statements prepared in accordance with the accounting principles and regulations applicable to enterprises established in the PRC. These statutory financial statements for the year ended 31 December 2010 were audited by Zhejiang Weining Certified Public Accountants Co., Limited. No statutory financial statements have been prepared by JSX Trading for the years ended 31 December 2011 and 2012.

For the purpose of this report, the directors of the Target Group have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with International Financial Reporting Standards ("**IFRSs**").

The directors of the Company are also responsible for the Financial Information presented in this report and the contents of the Circular in which this report is included.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

**PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS**

For the purpose of this report, we have carried out an independent audit on the Financial Information of the Target Group for the Relevant Periods in accordance with the Hong Kong Standards on Auditing (the "**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and Reporting Accountant" issued by the HKICPA.

**BASIS FOR QUALIFIED OPINION**

**Limitation of scope – Inventories**

Included in the consolidated statements of financial position were inventories stated at cost of approximately RMB10,782,000 as at 31 December 2010. We had not been invited to attend the physical inventory count on or about 31 December 2010 and we had not been provided with sufficient and appropriate evidence to verify the existence, completeness and valuation of the inventories. We have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves as to the existence, completeness and valuation of the inventories as stated in the consolidated statement of financial position of the Target Group as at 31 December 2010 and that the inventories were free from material misstatement and were fairly stated. Despite the fact that these inventories had been sold during the year ended 31 December 2011, we have not been able to carry out alternative audit procedures we considered necessary to satisfy ourselves as to the balances of the inventories as at 1 January 2010, 31 December 2010 and 1 January 2011. Any adjustments found to be necessary in respect thereof had we obtained sufficient and appropriate evidences would have had a consequential effect on (i) the net assets of the Target Group as at 31 December 2010; and (ii) the consolidated results of the Target Group for the years ended 31 December 2010 and 2011 and the related disclosure thereof in the Financial Information.

**OPINION**

**For the years ended 31 December 2010 and 2011 – the Target Group**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section, the financial information give a true and fair view of the state of affairs of the Target Group as at 31 December 2010 and 2011 and of the Target Group's results and cash flows for the years ended 31 December 2010 and 2011 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**For the year ended 31 December 2012 – the Target Group**

In our opinion, the financial information give a true and fair view of the state of affairs of the Target Group as at 31 December 2012 and of the Target Group's results and cash flows for the year ended 31 December 2012 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**For the years ended 31 December 2010, 2011 and 2012 – the Target Company**

In our opinion, the Financial Information give a true and fair view of the state of affairs of the Target Company as at 31 December 2010, 2011 and 2012 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## FINANCIAL INFORMATION

The following is the Financial Information for each of the Relevant Periods prepared on the basis set out in note 2 below.

### CONSOLIDATED INCOME STATEMENTS

*Years ended 31 December 2010, 2011 and 2012*

| | Notes | 2010<br>*RMB'000* | 2011<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|---|---|
| **REVENUE** | *7* | 87,358 | 82,119 | 65,319 |
| Cost of sales | | (72,347) | (67,206) | (54,423) |
| Gross profit | | 15,011 | 14,913 | 10,896 |
| Other income and gains | *7* | 88 | 733 | 772 |
| Selling and distribution expenses | | (4,233) | (3,147) | (2,324) |
| Administrative expenses | | (14,431) | (9,836) | (8,636) |
| Finance costs | *9* | (237) | – | – |
| **PROFIT/(LOSS) BEFORE TAX** | *8* | (3,802) | 2,663 | 708 |
| Income tax expense | *12* | (809) | (821) | (254) |
| **PROFIT/(LOSS) FOR THE YEAR** | | (4,611) | 1,842 | 454 |
| Attributable to: | | | | |
| Owners of the Target Company | *13* | (4,857) | 1,359 | 305 |
| Non-controlling interests | | 246 | 483 | 149 |
| | | (4,611) | 1,842 | 454 |

Details of the dividend paid during the Relevant Periods are disclosed in note 14 to the Financial Information.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*Years ended 31 December 2010, 2011 and 2012*

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **PROFIT/(LOSS) FOR THE YEAR** | (4,611) | 1,842 | 454 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | – | – | – |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | (4,611) | 1,842 | 454 |
| Attributable to: | | | |
| Owners of the Target Company | (4,857) | 1,359 | 305 |
| Non-controlling interests | 246 | 483 | 149 |
| | (4,611) | 1,842 | 454 |

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*As at 31 December 2010, 2011 and 2012*

| | Notes | 2010 RMB'000 | 2011 RMB'000 | 2012 RMB'000 |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 16 | 8,655 | 7,151 | 7,015 |
| **CURRENT ASSETS** | | | | |
| Inventories | 20 | 10,782 | 13,630 | 14,185 |
| Trade and bills receivables | 18 | 8,168 | 12,053 | 13,147 |
| Prepayments, deposits and other receivables | 19 | 5,385 | 1,475 | 4,284 |
| Due from fellow subsidiaries | 22 | 504 | – | – |
| Due from a former fellow subsidiary | 22 | – | 1,284 | 414 |
| Due from immediate holding company | 22 | 530 | – | – |
| Due from non-controlling interests | 22 | 250 | 250 | 250 |
| Cash and bank balances | 21 | 3,224 | 9,486 | 9,107 |
| Total current assets | | 28,843 | 38,178 | 41,387 |
| **CURRENT LIABILITIES** | | | | |
| Trade payables | 23 | 5,659 | 7,900 | 7,061 |
| Other payables and accruals | 24 | 3,730 | 5,454 | 3,463 |
| Due to fellow subsidiaries | 22 | 2,448 | 1,185 | 1,071 |
| Due to a former fellow subsidiary | 22 | – | 2,448 | 2,448 |
| Due to immediate holding company | 22 | – | 1,480 | 7,456 |
| Due to non-controlling interests | 22 | 2,362 | 2,053 | 1,860 |
| Tax payables | | 206 | 216 | 118 |
| Total current liabilities | | 14,405 | 20,736 | 23,477 |
| **NET CURRENT ASSETS** | | 14,438 | 17,442 | 17,910 |
| **Net assets** | | 23,093 | 24,593 | 24,925 |
| **EQUITY** | | | | |
| **Equity attributable to the equity holders of the Target Company** | | | | |
| Paid-up capital | 25 | 70,000 | 70,000 | 70,000 |
| Reserves | 26(a) | (45,525) | (44,226) | (43,930) |
| | | 24,475 | 25,774 | 26,070 |
| **Non-controlling interests** | | (1,382) | (1,181) | (1,145) |
| **Total equity** | | 23,093 | 24,593 | 24,925 |

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*Years ended 31 December 2010, 2011 and 2012*

| | Attributable to the owners of the Target Company | | | | | |
|---|---|---|---|---|---|---|
| | Paid-up capital | Statutory reserve | Accumulated losses | Total | Non-controlling interests | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2010 | 70,000 | 843 | (41,401) | 29,442 | (1,114) | 28,328 |
| Total comprehensive income for the year | – | – | (4,857) | (4,857) | 246 | (4,611) |
| Transfer to statutory reserve | – | 129 | (239) | (110) | 110 | – |
| Dividend paid to non-controlling interests | – | – | – | – | (624) | (624) |
| At 31 December 2010 and 1 January 2011 | 70,000 | 972 | (46,497) | 24,475 | (1,382) | 23,093 |
| Total comprehensive income for the year | – | – | 1,359 | 1,359 | 483 | 1,842 |
| Transfer to statutory reserve | – | 72 | (132) | (60) | 60 | – |
| Dividend paid to non-controlling interests | – | – | – | – | (342) | (342) |
| At 31 December 2011 and 1 January 2012 | 70,000 | 1,044 | (45,270) | 25,774 | (1,181) | 24,593 |
| Total comprehensive income for the year | – | – | 305 | 305 | 149 | 454 |
| Transfer to statutory reserve | – | 13 | (22) | (9) | 9 | – |
| Dividend paid to non-controlling interests | – | – | – | – | (122) | (122) |
| At 31 December 2012 | 70,000 | 1,057 | (44,987) | 26,070 | (1,145) | 24,925 |

Distributable reserves of the Target Company as at 31 December 2010, 2011 and 2012, calculated under the Company Law of the People's Republic of China (the "**PRC**", being the jurisdiction in which the Company were established) amounted to nil.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*Years ended 31 December 2010, 2011 and 2012*

| | 2010<br>*RMB'000* | 2011<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | (3,802) | 2,663 | 708 |
| Adjustments for: | | | |
| Bank interest income | (17) | (17) | (28) |
| Depreciation of property, plant and equipment | 2,242 | 1,942 | 725 |
| Finance costs | 237 | – | – |
| (Gain)/loss on disposal of property, plant and equipment | – | 10 | (100) |
| Impairment loss on trade and bills receivables | 114 | 129 | – |
| Write-off of other receivables | 3,698 | – | – |
| Write-off of amount due from a former fellow subsidiary | 900 | – | – |
| | 3,372 | 4,727 | 1,305 |
| (Increase)/decrease in inventories | 143 | (2,848) | (555) |
| (Increase)/decrease in trade and bills receivables | 1,905 | (4,014) | (1,094) |
| (Increase)/decrease in prepayments deposits and other receivables | 19,570 | 3,910 | (2,809) |
| Increase/(decrease) in trade payables | 112 | 2,241 | (839) |
| Increase/(decrease) in other payables and accruals | (4,457) | 1,724 | (1,991) |
| Cash generated from/(used in) operations | 20,645 | 5,740 | (5,983) |
| Income tax paid | (922) | (811) | (352) |
| Interest received | 17 | 17 | 28 |
| Net cash flows from/(used in) operating activities | 19,740 | 4,946 | (6,307) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of items of property, plant and equipment | (719) | (501) | (590) |
| Proceeds from disposal of items of property, plant and equipment | 66 | 53 | 101 |
| (Increase)/decrease in amount due from immediate holding company | (130) | 530 | – |
| (Increase)/decrease in amounts due from fellow subsidiaries and a former fellow subsidiary | 518 | (780) | 870 |
| Net cash flows from/(used in) investing activities | (265) | (698) | 381 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid to non-controlling interests | (624) | (342) | (122) |
| Increase/(decrease) in amounts due to fellow subsidiaries and a former fellow subsidiary | 327 | 1,185 | (114) |
| Decrease in amount due to non-controlling interests | (4) | (309) | (193) |
| Increase in amount due to immediate holding company | – | 1,480 | 5,976 |
| Interest paid | (237) | – | – |
| Repayment of bank loan | (19,500) | – | – |
| Net cash flows from/(used in) financing activities | (20,038) | 2,014 | 5,547 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (563) | 6,262 | (379) |
| Cash and cash equivalents at beginning of year | 3,787 | 3,224 | 9,486 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 3,224 | 9,486 | 9,107 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 3,224 | 9,486 | 9,107 |

**STATEMENTS OF FINANCIAL POSITION**
*As at 31 December 2010, 2011 and 2012*

| | Notes | 2010 RMB'000 | 2011 RMB'000 | 2012 RMB'000 |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | *16* | 34 | 28 | 274 |
| Investment in subsidiaries | *17* | 28,900 | 28,900 | 28,900 |
| Total non-current assets | | 28,934 | 28,928 | 29,174 |
| **CURRENT ASSETS** | | | | |
| Prepayments, deposits and other receivables | *19* | – | 140 | 2 |
| Due from immediate holding company | *22* | 530 | – | – |
| Due from subsidiaries | *17* | 1,103 | 2,087 | 1,663 |
| Cash and bank balances | *21* | 37 | 591 | 118 |
| Total current assets | | 1,670 | 2,818 | 1,783 |
| **CURRENT LIABILITIES** | | | | |
| Other payables and accruals | *24* | 700 | 383 | 77 |
| Due to a subsidiary | *17* | 5,350 | 5,350 | 4,750 |
| Due to immediate holding company | *22* | – | 1,480 | 1,780 |
| Tax payables | | – | – | – |
| Total current liabilities | | 6,050 | 7,213 | 6,607 |
| **NET CURRENT LIABILITIES** | | (4,380) | (4,395) | (4,824) |
| **Net assets** | | 24,554 | 24,533 | 24,350 |
| **Equity** | | | | |
| Paid-up capital | *25* | 70,000 | 70,000 | 70,000 |
| Reserves | *26(b)* | (45,446) | (45,467) | (45,650) |
| Total equity | | 24,554 | 24,533 | 24,350 |

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL

Shanghai Anchor Pressure Vessel (Group) Co., Limited (the "**Target Company**") was established in the People's Republic of China (the "**PRC**") with limited liability on 30 May 2007. The principal activities of the Target Company were investment holding and trading of pressure vessels. The Target Company ceased its trading business since April 2011 and remained as investment holding thereafter.

The Target Company and its subsidiaries (collectively, the "**Target Group**") were principally engaged in the manufacturing and sales of pressure vessels during the Relevant Periods.

In the opinion of the directors, the immediate holding company of the Target Company is 聯城消防集團股份有限公司 (Liancheng Fire-Fighting Group Joint Stock Co., Ltd.), a limited liability company established in the PRC and the ultimate holding company of the Target Company is 浙江恆泰房地產股份有限公司 (Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.), a limited liability company established in the PRC.

### 2 BASIS OF PREPARATION

The Financial Information have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations promulgated by the International Accounting Standard Board (the "**IASB**"). The Financial Information also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules (the "**Listing Rules**") Governing the Listing of Securities on the GEM Board of the Stock Exchange of Hong Kong Limited.

The Financial Information have been prepared under the historical cost convention and presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except otherwise indicated.

**Basis of consolidation**

The Financial Information include the financial statements of the Target Company and its subsidiaries, for the years ended 31 December 2010, 2011 and 2012. The financial statements of the subsidiaries of Target Company are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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

### 3.1 EARLY ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB has issued a number of new and revised IFRSs which are effective for accounting periods beginning on or after 1 January 2010, 2011 and 2012, respectively. The Target Group has adopted/early adopted these new and revised IFRSs in preparing the Financial Information for the years ended 31 December 2010, 2011 and 2012. The adoption of these new and revised IFRSs did not have any significant impact on its results of operations and financial position.

### 3.2 ISSUED BUT NOT YET EFFECTIVVE HONG KONG FINANCING REPORTING STANDARDS

The Target Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information.

| | |
|---|---|
| IAS 1 Amendments | Amendments to IAS 1 *Presentation of Financial Statement – Other Comprehensive Income* [1] |
| IAS 19 (2011) | Employee Benefits [2] |
| IAS 27 (2011) | Separate Financial Statement [2] |
| IAS 28 (2011) | Investment in Associate and Joint Venture [2] |
| IAS 32 Amendments | Amendments to IAS 32 Financial Instruments: *Presentation – Offsetting Financial Assets and Liabilities* [3] |
| IFRS 9 | Financial Instruments [4] |
| IFRS 10 | Consolidated Financial Statement [2] |
| IFRS 11 | Joint Arrangement [2] |
| IFRS 12 | Disclosure of Interests in Other Entities [2] |
| IFRS 13 | Fair Value Measurement [2] |
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans* [2] |
| IFRS 10, IFRS 11 and IAS 27 (2011) Amendments | Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities* [3] |
| IFRS 10, IFRS 11 and IFRS 12 Amendments | Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance* [2] |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine [2] |
| Annual Improvemetns 2009 – 2011 Cycle | Amendments to a number of IFRSs issued in May 2012 [2] |

[1] *Effective for annual periods beginning on or after 1 July 2012*
[2] *Effective for annual periods beginning on or after 1 January 2013*
[3] *Effective for annual periods beginning on or after 1 January 2014*
[4] *Effective for annual periods beginning on or after 1 January 2015*

The Target Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Target Group considers that the adoptions of these new and revised IFRSs are unlikely to have a significant impact on the results of operations and financial position of the Target Group.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Subsidiary**

A subsidiary is an entity whose financial and operating policies the Target Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Target Company's income statement to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS5 are stated at cost less any impairment losses.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), 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 to sell, 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 group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired assets.

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 income statement in the period in which it arises.

**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 of a parent of the Target Group;

  or

(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 group are joint ventures of the same third party;

  (iv) one entity is a 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); and

  (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).

**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 statement of income 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 depreciate 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 principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Motor vehicles | 20% |
| Office equipment | 20% |
| Plant and machinery | 10% |

Where parts of an item of property, plant and equipment including 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 income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

**Investments and other financial assets**

***Initial recognition and measurement***

The Target Group's financial assets are classified as loans and receivables, as appropriate. The Target Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***Subsequent measurement***

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated income statement.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

- the Target Group have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group have transferred substantially all the risks and rewards of the asset, or (b) the Target Group have 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 asset is recognised to the extent of the Target Group continuing involvement in the asset. In that case, the Target Group also recognise 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 assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Target Group first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

***Assets carried at cost***

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

**Financial liabilities**

***Initial recognition and measurement***

The Target Group's financial liabilities are classified as loans and borrowings. The Target Group determines the classification of its financial liabilities at initial recognition.

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

The Target Group financial liabilities include trade payables, other payables and accruals, amounts due to fellow subsidiaries, a former fellow subsidiary, immediate holding company and non-controlling interests.

***Subsequent measurement***

*Loans and borrowings*

After initial recognition, loans and borrowings 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 statement of income when the liabilities are derecognised as well as through the effective interest rate method 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 income statement.

**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 income statement.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

**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 statement of income.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 operate.

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 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

- 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, the carry forward 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 carry forward 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

- 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Group maintains neither managerial involvement to the degree usually associated with ownership; nor effective control over the goods sold;

(b) commission income, when relevant service has been rendered;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest rate method.

**Employee benefits**

***Pension scheme***

The employees of the Target Group, which operates in Mainland China, are required to participate in a central pension scheme operated by the local municipal government. The Target Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

**Foreign currencies**

Transactions in foreign currencies are translated into the functional currency of the Target Group using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

## 5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group Financial Information 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 these involving estimates, which have the most significant effect on the amounts recognised in the Financial Information:

***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 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***

The Target Group assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds it recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell 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 or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Useful lives of property, plant and equipment***

The management of the Target Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

***Impairment of trade and other receivables***

The Target Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Target Group makes its estimates based on the ageing of its trade and other receivable balances, customers' or debtors' creditworthiness, and the historical write-off experience. If the financial condition of its customers or debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Target Group would be required to revise the basis of making the allowance.

**6 OPERATING SEGMENT INFORMATION**

For management purposes, the Target Group is organised into business units based on their products and has two reportable operating segments as follows:

(i) Pressure vessels segment – manufacture and sales of pressure vessels products; and

(ii) Trading of products segment – import and export of goods, sales of sanitary ware and, pressure vessels and containers for various purposes including but not limited to fire-fighting.

Management monitors the results of the Target Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Target Group's profit/(loss) before tax except that interest income and finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude amounts due from fellow subsidiaries, a former fellow subsidiary, immediate holding company and non-controlling interests as these assets are managed on a group basis.

Segment liabilities exclude amount due to fellow subsidiaries, a former fellow subsidiary, immediate holding company and non-controlling interests and tax payables as these liabilities are managed on a group basis.

For the year ended 31 December 2010

| | Pressure vessels segment *RMB'000* | Trading of products segment *RMB'000* | Unallocation *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales provided to external customers | 73,407 | 13,951 | – | 87,358 |
| **Segments results** | 1,920 | (85) | – | 1,835 |
| *Reconciliation:* | | | | |
| Interest income | | | | 17 |
| Other income | | | | 71 |
| Finance costs | | | | (237) |
| Corporate and unallocated expenses | | | | (5,488) |
| Loss before tax | | | | (3,802) |
| Segment assets | 30,928 | 2,900 | – | 33,828 |
| Unallocated assets | | | | 3,670 |
| Total assets | | | | 37,498 |
| Segment liabilities | 6,891 | 1,798 | – | 8,689 |
| Unallocated liabilities | | | | 5,716 |
| Total liabilities | | | | 14,405 |
| Impairment loss on trade and bills receivables | 114 | – | – | 114 |
| Write-off of other receivables | – | – | 3,698 | 3,698 |
| Write-off of amount due from a former fellow subsidiary | – | – | 900 | 900 |
| Capital expenditure* | 690 | 24 | 5 | 719 |
| Depreciation | 2,068 | 161 | 13 | 2,242 |

For the year ended 31 December 2011

| | Pressure vessels segment *RMB'000* | Trading of products segment *RMB'000* | Unallocation *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales provided to external customers | 70,997 | 11,122 | – | 82,119 |
| **Segments results** | 2,650 | 396 | – | 3,046 |
| *Reconciliation:* | | | | |
| Interest income | | | | 17 |
| Other income | | | | 350 |
| Corporate and unallocated expesnes | | | | (750) |
| Profit before tax | | | | 2,663 |
| Segment assets | 39,439 | 3,596 | – | 43,035 |
| Unallocated assets | | | | 2,294 |
| Total assets | | | | 45,329 |
| Segment liabilities | 11,817 | 1,154 | – | 12,971 |
| Unallocated liabilities | | | | 7,765 |
| Total liabilities | | | | 20,736 |
| Impairment loss on trade and bill receivables | 129 | – | – | 129 |
| Capital expenditure* | 487 | 5 | 9 | 501 |
| Depreciation | 1,863 | 64 | 15 | 1,942 |

For the year ended 31 December 2012

| | Pressure vessels segment *RMB'000* | Trading of products segment *RMB'000* | Unallocation *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales provided to external customers | 55,128 | 10,191 | – | 65,319 |
| **Segments results** | 669 | (54) | – | 615 |
| *Reconciliation:* | | | | |
| Interest income | | | | 28 |
| Other income | | | | 397 |
| Corporate and unallocated expenses | | | | (332) |
| Profit before tax | | | | 708 |
| Segment assets | 37,541 | 9,802 | – | 47,343 |
| Unallocated assets | | | | 1,059 |
| Total assets | | | | 48,402 |
| Segment liabilities | 8,712 | 1,734 | – | 10,446 |
| Unallocated liabilities | | | | 13,031 |
| Total liabilities | | | | 23,477 |
| Capital expenditure* | 314 | – | 276 | 590 |
| Depreciation | 684 | 11 | 30 | 725 |

* *Capital expenditure consists of additions to property, plant and equipment.*

**Geographical information**

***(a) Revenue from external customers:***

| | 2010 *RMB'000* | 2011 *RMB'000* | 2012 *RMB'000* |
|---|---|---|---|
| Mainland China | 75,005 | 73,017 | 61,912 |
| United States of America | 2,923 | 3,831 | 2,772 |
| European Union | 8,924 | 5,028 | 440 |
| Other countries | 506 | 243 | 195 |
| | 87,358 | 82,119 | 65,319 |

The revenue information is based on the locations of the customers.

*(b) Non-current assets*

All non-current assets were located in the Mainland China.

**Information about a major customer**

Revenue from a major customer was derived from pressure vessels segment of approximately RMB3,621,000, RMB9,673,000 and RMB7,276,000 for the years ended 31 December 2010, 2011 and 2012, respectively.

## 7 REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the years.

Revenue, other income and gains recognised during the Relevant Periods are as follows:

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue: | | | |
| Sales of goods | 87,358 | 82,119 | 65,319 |
| Other income and gains: | | | |
| Gain on disposal of property, plant and equipment | – | – | 100 |
| Subsidy income | – | 42 | – |
| Bank interest income | 17 | 17 | 28 |
| Exchange gains, net | 32 | – | – |
| Commission income | – | 366 | 347 |
| Rental income | – | 111 | 209 |
| Scrap sales | – | 144 | 85 |
| Others | 39 | 53 | 3 |
| Total other income and gains | 88 | 733 | 772 |

## 8 PROFIT/(LOSS) BEFORE TAX

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

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost of sales | 72,347 | 67,206 | 54,423 |
| Depreciation | 2,242 | 1,942 | 725 |
| Minimum lease payments under operating leases in respect of land and buildings | 330 | – | – |
| Staff costs (excluding directors' remuneration *(note 10)*): | | | |
| Wages and salaries | 8,686 | 10,451 | 9,874 |
| Defined contribution retirement plans | 976 | 1,313 | 1,455 |
| | 9,662 | 11,764 | 11,329 |
| (Gain)/loss on disposal of items of property, plant and equipment | – | 10 | (100) |
| Impairment loss on trade and bills receivables | 114 | 129 | – |
| Write-off of other receivables | 3,698 | – | – |
| Write-off of amount due from a former fellow subsidiary | 900 | – | – |
| Rental income less direct operating expenses | – | (111) | (209) |
| Bank interest income | (17) | (17) | (28) |
| Exchange (gains)/losses, net | (32) | 37 | 100 |

## 9 FINANCE COSTS

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest on bank borrowings | 237 | – | – |

## 10 DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

| | Directors' fees | Salaries, allowances and benefits in kind | Retirement scheme contributions | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2010** | | | | |
| ***Directors*** | | | | |
| Mr. Zhou Jin Hui | – | – | – | – |
| Mr. Li Zhengli | – | 101 | – | 101 |
| Mr. Shao Jiuyan | – | – | – | – |
| | – | 101 | – | 101 |
| **Year ended 31 December 2011** | | | | |
| ***Directors*** | | | | |
| Mr. Zhou Jin Hui | – | – | – | – |
| Mr. Li Zhengli | – | 101 | – | 101 |
| Mr. Shao Jiuyan | – | – | – | – |
| | – | 101 | – | 101 |
| **Year ended 31 December 2012** | | | | |
| ***Directors*** | | | | |
| Mr. Zhou Jin Hui | – | – | – | – |
| Mr. Li Zhengli | – | – | – | – |
| Mr. Shao Jiuyan | – | – | – | – |
| | – | – | – | – |

The emoluments of the above directors fell within the band from Nil to RMB1,000,000 during the Relevant Periods.

During the Relevant Periods, no directors of the Target Company waived any emoluments and no emoluments were paid or payable by the Target Company as an inducement to join or upon joining the Target Company, or as compensation for loss of office.

## 11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2010, 2011 and 2012 included one, one and nil director, respectively, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining non-directors, highest paid employees for the Relevant Periods are as follows:

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, allowances and benefits in kind | 483 | 526 | 747 |
| Pension scheme contributions | 115 | 130 | 145 |
| | 598 | 656 | 892 |

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Nil to RMB1,000,000 | 4 | 4 | 5 |

## 12 INCOME TAX EXPENSE

Under the Corporate Income Tax Law, the corporate income tax ("CIT") rate is calculated at a rate of 25% on the Target Group's estimated assessable profits for the Relevant Periods.

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Target Group: | | | |
| Current – PRC | 724 | 880 | 261 |
| Underprovision/(overprovision) of CIT in previous years | 85 | (59) | (7) |
| Total tax charge for the year | 809 | 821 | 254 |

The reconciliation between the Target Group's profit/(loss) before tax for the Relevant Periods and the amount which is calculated based on the CIT rate of 25%, is as follows:

| | **2010** | | **2011** | | **2012** | |
|---|---|---|---|---|---|---|
| | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % |
| Profit/(loss) before tax | (3,802) | | 2,663 | | 708 | |
| Tax calculated at the applicable tax rate of 25% | (950) | (25) | 666 | 25 | 177 | 25 |
| Income not subject to tax | (2) | – | – | – | (147) | (21) |
| Expenses not deductible for tax | 1,445 | 38 | 343 | 13 | 302 | 43 |
| Tax allowances | (29) | (1) | (32) | (1) | (71) | (10) |
| Tax losses not recognised/(utilised) | 260 | 7 | (97) | (4) | – | – |
| Underprovision/(overprovision) of tax expenses in the previous years | 85 | 2 | (59) | (2) | (7) | (1) |
| Tax charge | 809 | 21 | 821 | 31 | 254 | 36 |

The tax effect of temporary differences for deferred tax assets was not recognised in the financial statements due to the uncertainty of future profits streams against which the assets can be utilised of approximately RMB260,000, RMB163,000 and RMB163,000 as at 31 December 2010, 2011 and 2012, respectively. All of these tax losses as at 31 December 2012 will be expired in 2017.

## 13 LOSS ATTRIBUTABLE TO OWNERS OF TARGET COMPANY

The loss attributable to owners of the Target Company for the years ended 31 December 2010, 2011 and 2012 of approximately RMB3,194,000, RMB21,000 and RMB183,000, respectively, which has been dealt with in the financial statements of the Target Company.

## 14 DIVIDEND

The directors did not recommend any dividend for the Relevant Periods.

## 15 EARNINGS PER SHARE

No earnings per share are presented as the calculation of basic earnings per share is not meaningful for the purpose of this report.

## 16 PROPERTY, PLANT AND EQUIPMENT

**Target Group**

| | Plant and machinery *RMB'000* | Motor vehicles *RMB'000* | Office equipment *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **31 December 2010** | | | | |
| At 1 January 2010 | | | | |
| Cost | 24,441 | 1,506 | 1,011 | 26,958 |
| Accumulated depreciation | (15,323) | (671) | (720) | (16,714) |
| Net carrying amount | 9,118 | 835 | 291 | 10,244 |
| At 1 January 2010, net of accumulated depreciation | 9,118 | 835 | 291 | 10,244 |
| Additions | 369 | 288 | 62 | 719 |
| Disposals | (12) | (48) | (6) | (66) |
| Depreciation provided during the year | (1,801) | (313) | (128) | (2,242) |
| At 31 December 2010, net of accumulated depreciation | 7,674 | 762 | 219 | 8,655 |
| At 31 December 2010 | | | | |
| Cost | 24,652 | 1,589 | 981 | 27,222 |
| Accumulated depreciation | (16,978) | (827) | (762) | (18,567) |
| Net carrying amount | 7,674 | 762 | 219 | 8,655 |
| **31 December 2011** | | | | |
| At 1 January 2011 | | | | |
| Cost | 24,652 | 1,589 | 981 | 27,222 |
| Accumulated depreciation | (16,978) | (827) | (762) | (18,567) |
| Net carrying amount | 7,674 | 762 | 219 | 8,655 |
| At 1 January 2011, net of accumulated depreciation | 7,674 | 762 | 219 | 8,655 |
| Additions | 294 | 81 | 126 | 501 |
| Disposals | (16) | (46) | (1) | (63) |
| Transfers | (57) | 65 | (8) | – |
| Depreciation provided during the year | (1,594) | (257) | (91) | (1,942) |
| At 31 December 2011, net of accumulated depreciation | 6,301 | 605 | 245 | 7,151 |
| At 31 December 2011 | | | | |
| Cost | 24,737 | 1,872 | 945 | 27,554 |
| Accumulated depreciation | (18,436) | (1,267) | (700) | (20,403) |
| Net carrying amount | 6,301 | 605 | 245 | 7,151 |

| | Plant and machinery *RMB'000* | Motor vehicles *RMB'000* | Office equipment *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **31 December 2012** | | | | |
| At 1 January 2012 | | | | |
| Cost | 24,737 | 1,872 | 945 | 27,554 |
| Accumulated depreciation | (18,436) | (1,267) | (700) | (20,403) |
| Net carrying amount | 6,301 | 605 | 245 | 7,151 |
| At 1 January 2012, net of accumulated depreciation | 6,301 | 605 | 245 | 7,151 |
| Additions | 134 | 453 | 3 | 590 |
| Disposals | – | – | (1) | (1) |
| Depreciation provided during the year | (547) | (114) | (64) | (725) |
| At 31 December 2012, net of accumulated depreciation | 5,888 | 944 | 183 | 7,015 |
| At 31 December 2012 | | | | |
| Cost | 24,871 | 2,325 | 941 | 28,137 |
| Accumulated depreciation | (18,983) | (1,381) | (758) | (21,122) |
| Net carrying amount | 5,888 | 944 | 183 | 7,015 |

**Target Company**

| | Motor vehicles *RMB'000* | Office equipment *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **31 December 2010** | | | |
| At 1 January 2010 | | | |
| Cost | – | 63 | 63 |
| Accumulated depreciation | – | (20) | (20) |
| Net carrying amount | – | 43 | 43 |
| At 1 January 2010, net of accumulated depreciation | – | 43 | 43 |
| Additions | – | 4 | 4 |
| Depreciation provided during the year | – | (13) | (13) |
| At 31 December 2010, net of accumulated depreciation | – | 34 | 34 |
| At 31 December 2010 | | | |
| Cost | – | 67 | 67 |
| Accumulated depreciation | – | (33) | (33) |
| Net carrying amount | – | 34 | 34 |
| **31 December 2011** | | | |
| At 1 January 2011 | | | |
| Cost | – | 67 | 67 |
| Accumulated depreciation | – | (33) | (33) |
| Net carrying amount | – | 34 | 34 |
| At 1 January 2011, net of accumulated depreciation | – | 34 | 34 |
| Additions | – | 9 | 9 |
| Depreciation provided during the year | – | (15) | (15) |
| At 31 December 2011, net of accumulated depreciation | – | 28 | 28 |
| At 31 December 2011 | | | |
| Cost | – | 76 | 76 |
| Accumulated depreciation | – | (48) | (48) |
| Net carrying amount | – | 28 | 28 |

| | Motor vehicles *RMB'000* | Office equipment *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **31 December 2012** | | | |
| At 1 January 2012 | | | |
| Cost | – | 76 | 76 |
| Accumulated depreciation | – | (48) | (48) |
| Net carrying amount | – | 28 | 28 |
| At 1 January 2012, net of accumulated depreciation | – | 28 | 28 |
| Additions | 276 | – | 276 |
| Depreciation provided during the year | (15) | (15) | (30) |
| At 31 December 2012, net of accumulated depreciation | 261 | 13 | 274 |
| At 31 December2012 | | | |
| Cost | 276 | 76 | 352 |
| Accumulated depreciation | (15) | (63) | (78) |
| Net carrying amount | 261 | 13 | 274 |

## 17 INVESTMENT IN SUBSIDIARIES

**Target Company**

| | 2010 *RMB'000* | 2011 *RMB'000* | 2012 *RMB'000* |
|---|---|---|---|
| Unlisted equity, at cost | 28,900 | 28,900 | 28,900 |
| Due from subsidiaries | 1,103 | 2,087 | 1,663 |
| Due to a subsidiary | (5,350) | (5,350) | (4,750) |

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Target Company were as follows:

| Name | Place of establishment and operations | Registered capital/paid-up capital | Percentage of equity attributable to the Target Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 上海元奉高壓容器有限公司 (Shanghai Yuanfeng Pressure Vessel Co., Limited)* | The People's Republic of China (The "PRC") | RMB5,000,000 | 95% | – | Manufacturing and sales of pressure vessels |
| 上海元蓬國際貿易有限公司 (Shanghai J.S.X. International Trading Corporation)* | PRC | RMB5,000,000 | 95% | – | Trading of pressure vessels |
| 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Limited)* | PRC | RMB19,170,000# | 60% | – | Manufacturing and sales of pressure vessels |

* Not audited by Ascenda Cachet CPA Limited

\# Pursuant to the business licence of Special Cylinder, the total registered capital of Special Cylinder is RMB19.17 million, 40% of which should be contributed by Shanghai Yangjing Industrial Co. (上海洋涇工業公司) ("Yangjing"), by transferring the legal title of the land use right and, the property and buildings constructed thereon (the "Relevant Property") to Special Cylinder. The legal title of the Relevant Property has not yet been transferred to Special Cylinder as at the date of this report. The legal title of the Relevant Property is held by Shanghai Guangyang Enterprise Development Corp. (上海廣洋企業發展總公司) ("Guangyang"), the holding company of Yangjing, but the Relevant Property has been used by Special Cylinder. As Guangyang is still the legal owner of the Relevant Property, the prepaid land lease payments have not been recognised but included in non-controlling interests in the consolidated statements of financial position as at 31 December 2010, 2011 and 2012. Accordingly, the amortisation/depreciation of the Relevant Property was not provided in the Financial Information.

As advised by the PRC legal advisers to the Target Company, (i) the entity(ies) recorded in the register of equity interest holders shall be recognised as the legal equity interest holders of the company and such entity(ies) can legally claim and exercise its rights as an equity interest holder of the company; (ii) Yangjing was, and is, recorded in the Company Shareholder (Promoter) Investment Information (公司股東(發起人)出資信息) of Special Cylinder, which is a type of register of equity interest holders, as the holder of 40% equity interest in Special Cylinder, and therefore, Yangjing was, and is, the legal holder of the 40% equity interest in Special Cylinder; and (iii) Yangjing's status as the legal holder of 40% equity interest in Special Cylinder shall not be affected by the failure of Yangjing in completing its capital contribution obligation but pursuant to the PRC Company Law and judicial interpretations thereto, Special Cylinder is entitled to require Yangjing to procure the transfer of the legal title of the Relevant Property to Special Cylinder.

## 18 TRADE AND BILLS RECEIVABLES

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 7,868 | 11,346 | 13,406 |
| Less: Impairment | (380) | (509) | (509) |
| | 7,488 | 10,837 | 12,897 |
| Bills receivables | 680 | 1,216 | 250 |
| | 8,168 | 12,053 | 13,147 |

The Target Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months, extending up to three months for major customers. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The movements in provision for impairment of trade and bills receivables are as follows:

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January | 266 | 380 | 509 |
| Impairment losses recognised (note 8) | 114 | 129 | – |
| At the end of the reporting period | 380 | 509 | 509 |

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB380,000, RMB509,000, RMB509,000, as at 31 December 2010, 2011 and 2012, respectively, with a carrying amount before provision of approximately RMB380,000, RMB509,000, RMB509,000, as at 31 December 2010, 2011 and 2012, respectively.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current | 4,122 | 5,181 | 5,499 |
| 31 to 60 days | 2,058 | 2,239 | 4,114 |
| 61 to 90 days | 557 | 1,653 | 653 |
| Over 91 days | 1,431 | 2,980 | 2,881 |
| | 8,168 | 12,053 | 13,147 |

The aged analysis of the trade and bills receivables that are not (or neither individually nor collectively) considered to be impaired is as follows:

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Neither past due nor impaired | 6,760 | 10,028 | 10,855 |
| 3 to 6 months past due | 106 | 601 | 705 |
| 6 to 12 months past due | 447 | 490 | 649 |
| Past due over 1 year | 855 | 934 | 938 |
| | 8,168 | 12,053 | 13,147 |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the directors of the Target Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral or other credit enhancements over these balances.

## 19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

**Target Group**

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments | 127 | 589 | 167 |
| Payment in advance | 1,163 | 394 | 2,463 |
| Other receivables | 4,095 | 492 | 1,654 |
| | 5,385 | 1,475 | 4,284 |

**Target Company**

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Other receivables | – | 140 | 2 |

None of the above assets are either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

## 20 INVENTORIES

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 4,619 | 5,084 | 5,751 |
| Work in progress | 2,290 | 3,084 | 1,595 |
| Finished goods | 3,873 | 5,462 | 6,839 |
| | 10,782 | 13,630 | 14,185 |

## 21 CASH AND BANK BALANCES

The cash and bank balances, which was denominated in Renminbi ("RMB"), was not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group and the Target Company are permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

**22 BALANCES WITH FELLOW SUBSIDIARIES, A FORMER FELLOW SUBSIDIARY, IMMEDIATE HOLDING COMPANY AND NON-CONTROLLING INTERESTS**

The balances with fellow subsidiaries, a former fellow subsidiary, immediate holding company and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

**23 TRADE PAYABLES**

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current | 3,772 | 4,330 | 1,581 |
| 31 to 60 days | 1,003 | 1,570 | 996 |
| 61 to 90 days | 442 | 1,182 | 1,696 |
| Over 91 days | 442 | 818 | 2,788 |
| | 5,659 | 7,900 | 7,061 |

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

**24 OTHER PAYABLES AND ACCRUALS**

**Target Group**

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Other payables | 889 | 1,551 | 1,388 |
| Accruals | 382 | 2,416 | 525 |
| Receipt in advance | 2,459 | 1,487 | 1,550 |
| | 3,730 | 5,454 | 3,463 |

**Target Company**

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Other payables | 160 | 383 | 77 |
| Receipt in advance | 540 | – | – |
| | 700 | 383 | 77 |

Other payables are non-interest-bearing and have an average term of 90 days.

**25 REGISTERED AND PAID-UP CAPITAL**

**Target Company**

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Registered and fully paid-up | 70,000 | 70,000 | 70,000 |

**26 RESERVES**

**(a) Target Group**

***Statutory reserve***

In accordance with the PRC Companies Law, the Target Company's subsidiaries in the PRC were required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory reserve is non-distributable. According to the relevant PRC regulations, statutory reserve can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory reserve falling below 25% of the registered capital.

**(b) Target Company**

| | **Statutory reserve** | **Accumulated losses** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2010 | 462 | (42,714) | (42,252) |
| Total comprehensive income for the year | – | (3,194) | (3,194) |
| At 31 December 2010 and 1 January 2011 | 462 | (45,908) | (45,446) |
| Total comprehensive income for the year | – | (21) | (21) |
| At 31 December 2011 and 1 January 2012 | 462 | (45,929) | (45,467) |
| Total comprehensive income for the year | – | (183) | (183) |
| At 31 December 2012 | 462 | (46,112) | (45,650) |

## 27 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Financial Information, the Target Group had the following transactions with related parties during the Relevant Periods:

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Sales of goods** | | | |
| Shanghai High Pressure Container Co., Ltd. (Note a) | 2,543 | 674 | – |
| **Purchases of goods** | | | |
| Shanghai High Pressure Container Co., Ltd. (Note a) | 2,876 | 990 | – |
| Shanghai Qingpu Fire-Fighting Equipment Co., Limited ("SQFF") (Note b) | – | 2,042 | 570 |
| | 2,876 | 3,032 | 570 |
| **Commission income** | | | |
| SQFF (Note b) | – | 366 | 347 |

The directors of the Target Company is of the opinion that the terms of the above transactions were mutually agreed between the Target Group and the related parties.

*Notes:*

(a) Shanghai High Pressure Container Co., Ltd. is a fellow subsidiary of the former immediate holding company which ceased to be a connected party from 12 April 2011.

(b) SQFF is a fellow subsidiary of the immediate holding company of the Target Company and became a connected party from 12 April 2011.

JSX Trading and SQFF entered into an agency agreement on 30 June 2011. Pursuant to the agreement, JSX Trading became a sales agent of SQFF from 1 July 2011, SQFF will pay 5% commission expenses on the transactions to JSX Trading. The commission paid to JSX Trading during the year ended 31 December 2012 was approximately RMB347,000 (years ended 31 December 2010 and 2011: Nil and approximately RMB366,000, respectively).

The information of compensation of key management personnel of the Target Group is included in note 10 above.

## 28 COMMITMENTS

**Operating lease commitments**

The Target Group sub-leases its leased office under operating lease arrangements. The lease is negotiated for terms of two years.

At each of the end of the reporting date, the Target Group had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

**As lessor**

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 12 | 69 | 73 |
| In the second to fifth years, inclusive | 1 | 60 | 62 |
| | 13 | 129 | 135 |

The Target Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

At each of the end of the reporting date, the Target Group had future minimum lease payments under non-cancellable operating leases falling due as follows:

**As lessee**

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 12 | 82 | 70 |
| In the second to fifth years, inclusive | 37 | 306 | 280 |
| After five years | – | 1,000 | 982 |
| | 49 | 1,388 | 1,332 |

Except for the above, at the end of each reporting period, the Target Group and the Target Company did not have any other significant commitments.

## 29 CONTINGENT LIABILITIES

At the end of each reporting period, the Target Group and Target Company did not have any significant contingent liabilities.

## 30 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the respective reporting dates are as follows:

**Target Group**

**31 December 2010**

**Financial assets**

| | Loans and receivables | Total |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade and bills receivables | 8,168 | 8,168 |
| Financial assets included in prepayments, deposits and other receivables | 4,095 | 4,095 |
| Due from fellow subsidiaries | 504 | 504 |
| Due from immediate holding company | 530 | 530 |
| Due from non-controlling interests | 250 | 250 |
| Cash and bank balances | 3,224 | 3,224 |
| | 16,771 | 16,771 |

**Financial liabilities**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | 5,659 | 5,659 |
| Financial liabilities included in other payables and accruals | 3,730 | 3,730 |
| Due to fellow subsidiaries | 2,448 | 2,448 |
| Due to non-controlling interests | 2,362 | 2,362 |
| | 14,199 | 14,199 |

**31 December 2011**

**Financial assets**

| | **Loans and receivables** *RMB'000* | **Total** *RMB'000* |
|---|---|---|
| Trade and bills receivables | 12,053 | 12,053 |
| Financial assets included in prepayments, deposits and other receivables | 492 | 492 |
| Due from a former fellow subsidiary | 1,284 | 1,284 |
| Due from non-controlling interests | 250 | 250 |
| Cash and bank balances | 9,486 | 9,486 |
| | 23,565 | 23,565 |

**Financial liabilities**

| | **Financial liabilities at amortised cost** *RMB'000* | **Total** *RMB'000* |
|---|---|---|
| Trade payables | 7,900 | 7,900 |
| Financial liabilities included in other payables and accruals | 5,454 | 5,454 |
| Due to fellow subsidiaries | 1,185 | 1,185 |
| Due to a former fellow subsidiary | 2,448 | 2,448 |
| Due to immediate holding company | 1,480 | 1,480 |
| Due to non-controlling interests | 2,053 | 2,053 |
| | 20,520 | 20,520 |

**31 December 2012**

**Financial assets**

| | **Loans and receivables** *RMB'000* | **Total** *RMB'000* |
|---|---|---|
| Trade and bills receivables | 13,147 | 13,147 |
| Financial assets included in prepayments, deposits and other receivables | 1,654 | 1,654 |
| Due from a former fellow subsidiary | 414 | 414 |
| Due from non-controlling interests | 250 | 250 |
| Cash and bank balances | 9,107 | 9,107 |
| | 24,572 | 24,572 |

**Financial liabilities**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | 7,061 | 7,061 |
| Financial liabilities included in other payables and accruals | 3,463 | 3,463 |
| Due to fellow subsidiaries | 1,071 | 1,071 |
| Due to a former fellow subsidiary | 2,448 | 2,448 |
| Due to immediate holding company | 7,456 | 7,456 |
| Due to non-controlling interests | 1,860 | 1,860 |
| | 23,359 | 23,359 |

**Target Company**

**31 December 2010**

**Financial assets**

| | Loans and receivables | Total |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Due from immediate holding company | 530 | 530 |
| Due from subsidiaries | 1,103 | 1,103 |
| Cash and bank balances | 37 | 37 |
| | 1,670 | 1,670 |

**Financial liabilities**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Financial liabilities included in other payables and accruals | 700 | 700 |
| Due to a subsidiary | 5,350 | 5,350 |
| | 6,050 | 6,050 |

**31 December 2011**

**Financial assets**

| | Loans and receivables *RMB'000* | Total *RMB'000* |
|---|---|---|
| Financial assets included in prepayments, deposits and other receivables | 140 | 140 |
| Due from subsidiaries | 2,087 | 2,087 |
| Cash and bank balances | 591 | 591 |
| | 2,818 | 2,818 |

**Financial liabilities**

| | Financial liabilities at amortised cost *RMB'000* | Total *RMB'000* |
|---|---|---|
| Financial liabilities included in other payables and accruals | 383 | 383 |
| Due to a subsidiary | 5,350 | 5,350 |
| Due to immediate holding company | 1,480 | 1,480 |
| | 7,213 | 7,213 |

**31 December 2012**

**Financial assets**

| | Loans and receivables *RMB'000* | Total *RMB'000* |
|---|---|---|
| Financial assets included in prepayments, deposits and other receivables | 2 | 2 |
| Due from subsidiaries | 1,663 | 1,663 |
| Cash and bank balances | 118 | 118 |
| | 1,783 | 1,783 |

**Financial liabilities**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Financial liabilities included in other payables and accruals | 77 | 77 |
| Due to a subsidiary | 4,750 | 4,750 |
| Due to immediate holding company | 1,780 | 1,780 |
| | 6,607 | 6,607 |

## 31 FINANCIAL RISK MANAGMENET OBJECTIVES AND POLICIES

The Target Group is exposed to various kinds of risks in its operation and financial instruments. The Target Group's risk management objectives and policies mainly focused on minimising the potential adverse effects of these risks on the Target Group by closely monitoring the individual exposure as follows:

**Interest rate risk**

The Target Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Target Group's results and operating cash flows are substantially independent of changes in market interest rates.

**Foreign currency risk**

The Target Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

**Credit risk**

The Target Group's credit risk is primarily attributable to, trade and bills receivables, prepayments, deposits and other receivables, amounts due from fellow subsidiaries, a former fellow subsidiary, immediate holding company and non-controlling interests, and cash and bank balances. The Target Group has policies in place to ensure that their customers with an appropriate credit history. All the bank balances were made with financial institutions with high-credit quality.

**Liquidity risk**

Liquidity risk is minimal as the Target Group has significant cash and bank balances to meet its liquidity requirements.

**Capital management**

The primary objective of the Target Group's capital management is 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 monitors capital using a gearing ratio, which is net debts divided by the total capital plus net debts. Net debts includes trade payables, other payables and accruals, amounts due to fellow subsidiaries, a former fellow subsidiary, immediate holding company and non-controlling interests less cash and bank balances. Capital includes equity attributable to equity shareholders of the Target Group. The gearing ratios as at the end of the reporting period were as follows:

| | **2010** | **2011** | **2012** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 5,659 | 7,900 | 7,061 |
| Other payables and accruals | 3,730 | 5,454 | 3,463 |
| Due to fellow subsidiaries | 2,448 | 1,185 | 1,071 |
| Due to a former fellow subsidiaries | – | 2,448 | 2,448 |
| Due to immediate holding company | – | 1,480 | 7,456 |
| Due to non-controlling interests | 2,362 | 2,053 | 1,860 |
| Less: Cash and bank balances | (3,224) | (9,486) | (9,107) |
| Net debts | 10,975 | 11,034 | 14,252 |
| Total capital | 23,093 | 24,593 | 24,925 |
| Capital and net debts | 34,068 | 35,627 | 39,177 |
| Gearing ratio | 32% | 31% | 36% |

**32 EVENTS AFTER THE REPORTING PERIOD**

The Target Group does not have any material events after the end of the reporting period.

**33 SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared for the Target Group in respect of any period subsequent to 31 December 2012.

Yours faithfully

**Ascenda Cachet CPA Limited**
*Certified Public Accountants*

**Chan Chi Yuen**
Practising Certificate Number P02671
Hong Kong

## MANAGEMENT DISCUSSION AND ANALYSIS OF ANCHOR GROUP

### (a) For the year ended 31 December 2012

***Business and financial review***

Anchor Group's total revenue for the year ended 31 December 2012 amounted to approximately RMB65.3 million and it mainly included sales of pressure vessels of approximately RMB55.1 million and trading of products of approximately RMB10.2 million.

Revenue decreased by approximately 20.5% from approximately RMB82.1 million for the year ended 31 December 2011 to approximately RMB65.3 million for 2012. The Directors attributed the decrease partly to the decrease in overseas sales and trading revenue as the European market was not performing well and the decrease in trading revenue as JSX Trading received commission from the Company instead of trading revenue since 2011.

In line with the decrease in revenue, gross profit for the year ended 31 December 2012 decreased by approximately 26.9% to approximately RMB10.9 million. Gross profit margin slightly decreased from approximately 18.2% for 2011 to approximately 16.7% for 2012 as, the Directors consider that, (i) Anchor ceased its trading business during 2011 which commanded a higher margin; and (ii) JSX Trading's trading business with a new customer in 2012 commanded a lower margin. The Directors consider that the gross margin of the manufacturing unit was relatively stable for 2011 and 2012.

Administrative expenses mainly include salaries and allowances as well as contribution to defined contribution retirement plans. According to the Directors, the decrease in administrative expenses in 2012 by approximately 12.2% was mainly due to the payment of annual bonus in 2011 which were not made in 2012. Selling and distribution costs mainly included salaries and transportations expenses and the decrease in 2012 was in line with the decrease in sales.

For the year ended 31 December 2012, Anchor Group recorded a net profit margin of approximately 0.7%, a decrease from the net profit margin of 2.2% for 2011. The decrease in net profit margin was in line with the decrease in gross margin. Although the selling and distribution costs and administration expenses for 2012 decreased from the preceding year, the significant decrease in sales and the decline in gross margin caused the net profit of Anchor Group decreased from approximately RMB1.8 million for 2011 to approximately RMB0.5 million for 2012.

***Liquidity, financial resources and funding***

As at 31 December 2012, Anchor Group had current assets of approximately RMB41.4 million and current liabilities of approximately RMB23.5 million. Anchor Group's current assets mainly included inventories of approximately RMB14.2 million (31 December 2011: RMB13.6 million), trade and bill receivables of approximately RMB13.1 million (31 December 2011: RMB12.1 million) and due from a former fellow subsidiary of approximately RMB0.4 million (31 December 2011: RMB1.3 million). The significant increase in prepayments, deposits and other receivables by approximately 190.4% from approximately RMB1.5 million as at 31 December 2011 to approximately RMB4.3

million as at 31 December 2012 was mainly due to the increase in payment in advance of approximately RMB2.1 million and the increase in other receivables of approximately RMB1.2 million.

Current liabilities included mainly trade payables of approximately RMB7.1 million (31 December 2011: RMB7.9 million), other payables and accruals of approximately RMB3.5 million (31 December 2011: RMB5.5 million) and due to the immediate holding company of approximately RMB7.5 million (31 December 2011: RMB1.5 million).

As at 31 December 2012, Anchor Group had net asset value of approximately RMB24.9 million (31 December 2011: RMB24.6 million).

The cash and bank balances of Anchor Group slightly decreased from approximately RMB9.5 million as at 31 December 2011 to RMB9.1 million as at 31 December 2012.

As at 31 December 2012, Anchor Group did not have any bank borrowings. Therefore, the gearing ratio of Anchor Group, which was expressed as a percentage of the total bank borrowings over total assets, was nil (31 December 2011: Nil).

***Charge on assets***

As at 31 December 2012, there was no charge, fixed or floating, on the assets of Anchor Group.

***Significant investment held***

Anchor Group did not hold any significant investment during the year ended 31 December 2012.

***Material acquisitions and disposals of subsidiaries and associated companies***

Anchor Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2012.

***Capital commitment***

Except for the operating lease commitments as disclosed in note 28 to the Financial Information of Anchor Group set out in Appendix II to this circular, as at 31 December 2012, Anchor Group had no significant capital commitments.

***Foreign currency exposure***

Anchor Group does not have significant foreign currency exposure arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

***Human resources***

As at 31 December 2012, Anchor Group had 255 employees.

The total staff costs, including directors' remuneration, amounting to approximately RMB11.3 million for the year ended 31 December 2012. Employees were remunerated with reference to their performance, experience and prevailing industry practice.

***Contingent liabilities***

As at 31 December 2012, Anchor Group did not have any significant contingent liabilities.

***Prospects***

According to the Directors, after the Acquisition, the Group intends to improve the profitability of Anchor Group by increasing the operation efficiency and reducing the overhead expenses and Anchor Group does not have future plans for material investments or capital assets in the coming year.

**(b) For the year ended 31 December 2011**

***Business and financial review***

Anchor Group's total revenue for the year ended 31 December 2011 amounted to approximately RMB82.1 million and it mainly included sales of pressure vessels of approximately RMB71.0 million and trading of products of approximately RMB11.1 million.

Total revenue of Anchor Group decreased by approximately 6% from approximately RMB87.4 million for 2010 to approximately RMB82.1 million for 2011. To the best knowledge of the Directors, the decrease was partly the result of (i) decrease in sales of aluminium cylinders; and (ii) decrease in trading revenue, partly offset by (iii) the increase in sales of boiler tubes. Sales of aluminum cylinders decreased because the aluminum prices were on a rising trend during the first half of 2011 and production of aluminium cylinders decreased in view of the decreasing profit margin. Trading revenue decreased during 2011 because in June 2011, JSX Trading and the Company entered into an agency agreement under which, JSX Trading no longer traded the goods of the Group and only received commission for sales of the Group's products. Sales of boiler tubes increased in 2011 because such products were launched in October 2010.

Despite the decrease in revenue, gross profit of Anchor Group was relatively stable and amounted to approximately RMB14.9 million for 2011 as compared to RMB15.0 million for 2010. Gross margin improved from approximately 17.2% for 2010 to approximately 18.2% for 2011.

The administration expenses decreased from approximately RMB14.4 million in 2010 to approximately RMB9.8 million in 2011. The difference was mainly due to a one-off provision for bad debts of approximately RMB4.7 million in 2010. Anchor Group returned to a net profit of approximately RMB1.8 million for 2011. The decrease in selling and distribution costs in 2011 was mainly attributable to, as advised by the Directors, the decrease in bonus payment, commission paid and travelling expenses.

***Liquidity, financial resources and funding***

As at 31 December 2011, Anchor Group had current assets of approximately RMB38.2 million and current liabilities of approximately RMB20.7 million. Anchor Group's current assets included inventories of approximately RMB13.6 million (31 December 2010: RMB10.8 million), trade and bills receivables of approximately RMB12.1 million (31 December 2010: RMB8.2 million) and prepayments, deposits and other receivables of approximately RMB1.5 million (31 December 2010: RMB5.4 million). The significant decrease in prepayments, deposits and other receivables by approximately 72.6% from approximately RMB5.4 million as at 31 December 2010 to approximately RMB1.5 million as at 31 December 2011 was mainly due to the decrease in payment in advance of approximately RMB0.8 million and the decrease in other receivables of approximately RMB3.6 million.

Current liabilities included mainly trade payables of approximately RMB7.9 million (31 December 2010: RMB5.7 million), other payables and accruals of approximately RMB5.5 million (31 December 2010: RMB3.7 million) and due to non-controlling interests of approximately RMB2.1 million (31 December 2010: RMB2.4 million).

As at 31 December 2011, Anchor Group had net asset value of approximately RMB24.6 million (31 December 2010: RMB23.1 million).

The cash and bank balances of Anchor Group increased from approximately RMB3.2 million as at 31 December 2010 to approximately RMB9.5 million as at 31 December 2011. The increase was mainly attributable to the decrease in prepayments, deposits and other receivables of approximately RMB3.9 million and the increase in trade payables of approximately RMB2.2 million in 2011.

As at 31 December 2011, Anchor Group did not have any bank borrowings. Therefore, the gearing ratio of Anchor Group, which was expressed as a percentage of the total bank borrowings over total assets, was nil (31 December 2010: Nil).

***Charge on assets***

As at 31 December 2011, there was no charge, fixed or floating, on the assets of Anchor Group.

***Significant investment held***

Anchor Group did not hold any significant investment during the year ended 31 December 2011.

***Material acquisitions and disposals of subsidiaries and associated companies***

Anchor Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2011.

***Capital commitment***

Except for the operating lease commitments as disclosed in note 28 to the Financial Information of Anchor Group set out in Appendix II to this circular, as at 31 December 2011, Anchor Group had no significant capital commitments.

***Foreign currency exposure***

Anchor Group does not have significant foreign currency exposure arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

***Human resources***

As at 31 December 2011, Anchor Group had 299 employees.

The total staff costs, including directors' remuneration, amounting to approximately RMB11.9 million for 2011. Employees were remunerated with reference to their performance, experience and prevailing industry practice.

***Contingent liabilities***

As at 31 December 2011, Anchor Group did not have any significant contingent liabilities.

**(c) For the year ended 31 December 2010**

***Business and financial review***

Anchor Group's total revenue for the year ended 31 December 2010 amounted to approximately RMB87.4 million and it mainly included sales of pressure vessels of approximately RMB73.4 million and trading of products of approximately RMB14.0 million.

The total revenue of Anchor Group increased by approximately 31% from approximately RMB66.8 million for 2009 to approximately RMB87.4 million for 2010. To the best knowledge of the Directors, the increase in revenue was attributable to (i) one-off special sales of approximately RMB4.5 million made to a customer in the second half of 2010; and (ii) the sales of the new product, boiler tubes.

Despite the increase in revenue in 2010, gross profit remained at approximately RMB15.0 million. To the best knowledge of the Directors, the decrease in gross profit margin from approximately 22.2% for 2009 to approximately 17.2% for 2010 was mainly attributed to (i) the increase in steel prices since late 2009 till the first half of 2010; and (ii) the lower margin from the one-off special sales as mentioned above.

Anchor Group recorded a net loss of approximately RMB4.6 million for the year ended 31 December 2010. The major reason was the significant increase in administration expenses from approximately RMB7.6 million for 2009 to approximately RMB14.4 million for 2010 which was mainly due to the one-off provision for bad debts of approximately RMB4.7 million in 2010.

***Liquidity, financial resources and funding***

As at 31 December 2010, Anchor Group had current assets of approximately RMB28.8 million and current liabilities of approximately RMB14.4 million. Anchor Group's current assets mainly included inventories of approximately RMB10.8 million (31 December 2009: RMB10.9 million), trade and bills receivables of approximately RMB8.2 million (31 December 2009: RMB10.2 million) and prepayments, deposits and other receivables of approximately RMB5.4 million (31 December 2009: RMB32.7 million).

Current liabilities included mainly trade payables of approximately RMB5.7 million (31 December 2009: RMB5.5 million), other payables and accruals of approximately RMB3.7 million (31 December 2009: RMB8.4 million) and due to fellow subsidiaries of approximately RMB2.4 million (31 December 2009: RMB5.9 million).

As at 31 December 2010, Anchor Group had net asset value of approximately RMB23.1 million (31 December 2009: RMB28.3 million).

The cash and bank balances of Anchor Group slightly decreased from approximately RMB3.8 million as at 31 December 2009 to approximately RMB3.2 million as at 31 December 2010.

As at 31 December 2010, Anchor Group did not have any bank borrowings. Therefore, the gearing ratio of Anchor Group, which was expressed as a percentage of the total bank borrowings over total assets, was nil (31 December 2009: 27.7%).

***Charge on assets***

As at 31 December 2010, there was no charge, fixed or floating, on the assets of Anchor Group.

***Significant investment held***

Anchor Group did not hold any significant investment during the year ended 31 December 2010.

***Material acquisitions and disposals of subsidiaries and associated companies***

Anchor Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2010.

***Capital commitment***

Except for the operating lease commitments as disclosed in note 28 to the Financial Information of Anchor Group set out in Appendix II to this circular, as at 31 December 2010, Anchor Group had no significant capital commitments.

***Foreign currency exposure***

Anchor Group does not have significant foreign currency exposure arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

***Human resources***

As at 31 December 2010, Anchor Group had 252 employees.

The total staff costs, including directors' remuneration, amounting to approximately RMB9.8 million for 2010. Employees were remunerated with reference to their performance, experience and prevailing industry practice.

***Contingent liabilities***

As at 31 December 2010, Anchor Group did not have any significant contingent liabilities.

## A. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Ascenda CACHET
天健德揚

7 June 2013

The Directors
**Shanghai Qingpu Fire-Fighting Equipment Co., Limited**

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Shanghai Qingpu Fire-Fighting Equipment Co., Limited (the "Company") and its subsidiary (hereinafter collectively referred to as the "Group"), in connection with the proposed acquisition (the "Acquisition") of 100% equity interests in 上海鐵錨壓力容器(集團)有限公司 (Shanghai Anchor Pressure Vessel (Group) Co., Limited) (formerly known as 上海元支高壓容器有限公司 (Shanghai Yuanzhi Pressure Vessel Co., Limited)) and its subsidiaries, (a) 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Limited), formerly known as 上海高壓容器廠洋涇分廠 (Shanghai High Pressure Container Factory Yangjing Branch Factory); (b) 上海元奉高壓容器有限公司 (Shanghai Yuanfeng Pressure Vessel Co., Limited); and (c) 上海元蓬國際貿易有限公司 (Shanghai J.S.X. International Trading Corporation) (collectively, the "Target Group", and together with the Group, the "Enlarged Group"), excluding the land and building held by Special Cylinder and located at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai (the "Relevant Property"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "Director") for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented, for inclusion in Appendix II of the circular dated 7 June 2013 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix III on pages 4-5 of the Circular.

**Respective responsibilities of directors of the Company and reporting accountants**

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information of the Enlarged Group in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market 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" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 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.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information of the Enlarged Group with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance of indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2012 or at any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 December 2012 or for any future periods.

**Opinion**

In our opinion:

(a) the Unaudited Pro Forma Financial Information of the Enlarged Group has been properly compiled by the Directors of the Company 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 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully

**Ascenda Cachet CPA Limited**
*Certified Public Accountants*

**Chan Chi Yuen**
Practising Certificate Number P02671
Hong Kong

## B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

### 1. Introduction

The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of the Enlarged Group, comprising the Enlarged Group's unaudited pro forma consolidated statement of financial position as at 31 December 2012, and the Enlarged Group's unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2012, has been prepared to illustrate the effect of the proposed acquisition of 100% equity interests in 上海鐵錨壓力容器(集團)有限公司 (Shanghai Anchor Pressure Vessel (Group) Co., Limited) (formerly known as 上海元支高壓容器有限公司 (Shanghai Yuanzhi Pressure Vessel Co., Limited)) (the "**Target Company**") and its subsidiaries, (a) 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Limited, the "**Special Cylinder**"), formerly known as 上海高壓容器廠洋涇分廠 (Shanghai High Pressure Container Factory Yangjing Branch Factory); (b) 上海元奉高壓容器有限公司 (Shanghai Yuanfeng Pressure Vessel Co., Limited); and (c) 上海元蓬國際貿易有限公司 (Shanghai J.S.X. International Trading Corporation (collectively, the "**Target Group**"), excluding the land and building held by Special Cylinder and located at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition had taken place on 31 December 2012.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is based upon the audited consolidated statement of financial position of the Group as at 31 December 2012, which has been extracted from the annual report of the Group for the year ended 31 December 2012, the audited consolidated statement of financial position of the Target Group as at 31 December 2012 as extracted from the accountants' report as set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction and (ii) factually supportable.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows of the Enlarged Group has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition had taken place on 1 January 2012.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows of the Enlarged Group are based upon the audited consolidated income statement and audited consolidated statement of cash flows of the Group for the year ended 31 December 2012, which have been extracted from the annual report of the Group for the year ended 31 December 2012, the audited consolidated income statement and audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012 as extracted from the accountants' report as set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction and (ii) factually supportable.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the directors of the Company based on a number of assumptions, estimates and uncertainties for illustrative purposes. Accordingly, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to describe (i) the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2012; (ii) the actual results of operations and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on 1 January 2012. The Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position, results of operations or cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this Circular, the financial information of Target Group as set out in Appendix II to this Circular, and other financial information included elsewhere in this Circular.

**2. Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2012**

| | **The Group's consolidated income statement for the year ended 31 December 2012** | **The Target Group's consolidated income statement for the year ended 31 December 2012** | **Sub-total** | **Pro-forma adjustments** | | **The Enlarged Group's pro forma consolidated income statement for the year ended 31 December 2012** |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | Audited | Audited | Unaudited | Unaudited | Unaudited | Unaudited |
| | | | | *(Note a)* | *(Note b)* | |
| Revenue | 35,735 | 65,319 | 101,054 | | (570) | 100,484 |
| Cost of sales and services provided | (26,708) | (54,423) | (81,131) | | 570 | (80,561) |
| Gross profit | 9,027 | 10,896 | 19,923 | | | 19,923 |
| Other income and gains | 4,337 | 772 | 5,109 | | (347) | 4,762 |
| Selling and distribution expenses | (842) | (2,324) | (3,166) | | 347 | (2,819) |
| General and administrative expenses | (6,222) | (8,636) | (14,858) | | | (14,858) |
| Finance costs | – | – | – | | | – |
| Profit before tax | 6,300 | 708 | 7,008 | | | 7,008 |
| Income tax expense | (514) | (254) | (768) | | | (768) |
| Profit for the year | 5,786 | 454 | 6,240 | | | 6,240 |
| Attributable to: | | | | | | |
| Owners of the Company | 5,502 | 305 | 5,807 | | | 5,807 |
| Non-controlling interests | 284 | 149 | 433 | | | 433 |
| | 5,786 | 454 | 6,240 | | | 6,240 |

## 3. Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2012

| | The Group's consolidated statement of financial position as at 31 December 2012 | The Target Group's consolidated statement of financial position as at 31 December 2012 | Sub-total | Pro-forma adjustments | | The Enlarged Group's pro forma consolidated statement of financial position as at 31 December 2012 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | Audited | Audited | Unaudited | Unaudited | Unaudited | Unaudited |
| | | | | *(Note a)* | *(Note b)* | |
| NON-CURRENT ASSETS | | | | | | |
| Property, plant and equipment | 9,547 | 7,015 | 16,562 | | | 16,562 |
| Investment properties | 23,370 | – | 23,370 | | | 23,370 |
| Prepaid land lease payments | 125 | – | 125 | | | 125 |
| Total non-current assets | 33,042 | 7,015 | 40,057 | | | 40,057 |
| CURRENT ASSETS | | | | | | |
| Inventories | 7,024 | 14,185 | 21,209 | | | 21,209 |
| Trade and bills receivables | 8,771 | 13,147 | 21,918 | | | 21,918 |
| Prepayments, deposits and other receivables | 2,430 | 4,284 | 6,714 | | | 6,714 |
| Due from fellow subsidiaries | 1,915 | – | 1,915 | | (1,071) | 844 |
| Due from a former fellow subsidiary | – | 414 | 414 | | | 414 |
| Due from non-controlling interests | – | 250 | 250 | | | 250 |
| Cash and bank balances | 12,726 | 9,107 | 21,833 | (6,000) | | 15,833 |
| Total current assets | 32,866 | 41,387 | 74,253 | | | 67,182 |
| CURRENT LIABILITIES | | | | | | |
| Trade payables | 3,615 | 7,061 | 10,676 | | | 10,676 |
| Other payables and accruals | 4,526 | 3,463 | 7,989 | | | 7,989 |
| Due to a fellow subsidiary | – | 1,071 | 1,071 | | (1,071) | – |
| Due to a former fellow subsidiary | – | 2,448 | 2,448 | | | 2,448 |
| Due to immediate holding company | – | 7,456 | 7,456 | | | 7,456 |
| Due to non-controlling interests | – | 1,860 | 1,860 | | | 1,860 |
| Tax payables | 69 | 118 | 187 | | | 187 |
| Total current liabilities | 8,210 | 23,477 | 31,687 | | | 30,616 |
| NET CURRENT ASSETS | 24,656 | 17,910 | 42,566 | | | 36,566 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 57,698 | 24,925 | 82,623 | | | 76,623 |
| NON-CURRENT LIABILITIES | | | | | | |
| Due to immediate holding company | (1,800) | – | (1,800) | | | (1,800) |
| Deferred tax liabilities | (4,120) | – | (4,120) | | | (4,120) |
| Total non-current liabilities | (5,920) | – | (5,920) | | | (5,920) |
| Net assets | 51,778 | 24,925 | 76,703 | | | 70,703 |
| EQUITY | | | | | | |
| Equity attributable to the equity holders of the Company | | | | | | |
| Paid-up capital | 18,743 | 70,000 | 88,743 | (70,000) | | 18,743 |
| Reserves | 32,483 | (43,930) | (11,447) | 63,751 | | 52,304 |
| | 51,226 | 26,070 | 77,296 | (6,249) | | 71,047 |
| Non-controlling interests | 552 | (1,145) | (593) | 249 | | (344) |
| Total equity | 51,778 | 24,925 | 76,703 | (6,000) | | 70,703 |

## 4. Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2012

| | The Group's consolidated statement of cash flows for the year ended 31 December 2012 | The Target Group's consolidated statement of cash flows for the year ended 31 December 2012 | Sub-total | Pro-forma adjustments | | The Enlarged Group's pro forma consolidated statement of cash flows for the year ended 31 December 2012 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | Audited | Audited | Unaudited | Unaudited | Unaudited | Unaudited |
| | | | | *(Note a)* | *(Note b)* | |
| **Cash flows from operating activities** | | | | | | |
| **Profit before tax** | 6,300 | 708 | 7,008 | | | 7,008 |
| **Adjustments for:** | | | | | | |
| Amortisation of prepaid land lease payments | 3 | – | 3 | | | 3 |
| Interest income | (36) | (28) | (64) | | | (64) |
| Fair value gains on investment properties | (1,220) | – | (1,220) | | | (1,220) |
| Depreciation of property, plant and equipment | 1,993 | 725 | 2,718 | | | 2,718 |
| Write off of property, plant and equipment | 1 | – | 1 | | | 1 |
| Gain on disposal of property, plant and equipment | (7) | (100) | (107) | | | (107) |
| | 7,034 | 1,305 | 8,339 | | | 8,339 |
| Increase in inventories | (959) | (555) | (1,514) | | | (1,514) |
| Decrease/(increase) in trade and bills receivables | 108 | (1,094) | (986) | | | (986) |
| Decrease/(increase) in prepayments deposits and other receivables | 403 | (2,809) | (2,406) | | | (2,406) |
| Decrease in trade payables | (902) | (839) | (1,741) | | | (1,741) |
| Increase in amounts due from fellow subsidiaries | (462) | – | (462) | | | (462) |
| Increase/(decrease) in other payables and accruals | 347 | (1,991) | (1,644) | | | (1,644) |
| **Cash flow from/(used in) operations** | 5,569 | (5,983) | (414) | | | (414) |
| Corporate income tax paid | (189) | (352) | (541) | | | (541) |
| Interest paid | – | 28 | 28 | | | 28 |
| **Net cash flow from/(used in) operating activities** | 5,380 | (6,307) | (927) | | | (927) |
| **Cash flows from investing activities** | | | | | | |
| Cash outflow of the acquistion of subsidiaries | – | – | – | (6,000) | | (6,000) |
| Purchase of items of property, plant and equipment | (335) | (590) | (925) | | | (925) |
| Proceeds from disposal of items of property, plant and equipment | 11 | 101 | 112 | | | 112 |
| Decrease in amounts due from a former fellow subsidiary | – | 870 | 870 | | | 870 |
| Interest received | 36 | – | 36 | | | 36 |
| **Net cash flow (used in)/from investing activities** | (288) | 381 | 93 | | | (5,907) |
| **Cash flows from financing activities** | | | | | | |
| Decrease in amounts due to fellow subsidiaries | – | (114) | (114) | | | (114) |
| Decrease in amount due to non-controlling interests | – | (193) | (193) | | | (193) |
| Advance from immediate holding company | 1,055 | 5,976 | 7,031 | | | 7,031 |
| Dividend paid to non-controlling interests | (177) | (122) | (299) | | | (299) |
| **Net cash flow from financing activities** | 878 | 5,547 | 6,425 | | | 6,425 |
| **Net (decrease)/increase in cash and cash equivalents** | 5,970 | (379) | 5,591 | | | (409) |
| **Cash and cash equivalents at beginning of year** | 6,756 | 9,486 | 16,242 | | | 16,242 |
| | | | | | | – |
| **Cash and cash equivalents at end of year** | 12,726 | 9,107 | 21,833 | | | 15,833 |
| **Analysis of balances of cash and cash equivalents:** | | | | | | |
| Cash and bank balances | 12,726 | 9,107 | 21,833 | (6,000) | | 15,833 |

## NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) On 7 November 2012, the Company and its non-wholly-owned subsidiary, Shanghai Liming Fire Testing Co., Limited ("Liming") (collectively, the "Purchasers"), entered into a sale and purchase agreement ("Agreement") (and an Excluded Interest agreement with the Vendors, Target Company and Special Cylinder, a subsidiary of the Target Company, as part of the transaction under the Agreement) with Liancheng Fire- Fighting Group Company Limited, a controlling shareholder of the Company, and Mr. Wang Sheng (the "Mr. Wang"), an independent third party (collectively, the "Vendors"), pursuant to which, the Company and Liming shall acquire from the Vendors the entire issued share capital of the Target Company and its subsidiaries, except for the land and building situated at No. 18, Lane 575, Jujiaqiao Road, Pudong New Area, Shanghai (the "Excluded Interest") held by Special Cylinder, at a consideration of RMB6 million (the "Acquisition"). The consideration shall be settled by cash within 12 months after the completion of the registration procedure for the change of Anchor's shareholders in connection with the Acquisition.

The Group and the Target Group are under common control by Liancheng Fire-Fighting Group Company Limited. The Acquisition under common control is accounted for by using merger accounting. Merger accounting involves incorporating the financial information of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first come under the control of the controlling party. The unaudited pro forma financial information has been prepared as if the Target Group had been in existence within the Group on 1 January 2012.

The adjustment reflects the elimination of the Group's investment in the Target Group and the reconciliation of the capital movement arising from the Acquisition is as follows:

| | **90% equity interest acquired by Company** | **10% equity interest acquired by Liming** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Net assets of the Target Group | 22,433 | 2,492 | 24,925 |
| Reserves | 39,537 | 4,393 | 43,930 |
| Non-controlling interests of the Target Group | 1,030 | 115 | 1,145 |
| | 63,000 | 7,000 | 70,000 |
| Non-controlling interests *(Note 1)* | – | (249) | (249) |
| | 63,000 | 6,751 | 69,751 |
| Consideration payable to the Vendors | (5,400) | (600) | (6,000) |
| Net increase in reserves arising from the acquisition under common control | 57,600 | 6,151 | 63,751 |
| Consideration: | | | |
| Consideration payable within one year after completion | 5,400 | 600 | 6,000 |

*Note 1* – 90% equity interest of Liming was owned by the Company. Accordingly, the effective equity interest of the Target Group owned by the Company was 99%.

(b) The adjustment reflects the elimination of the inter-group transactions of sales and purchases and commission income and inter-group balances between the Group and the Target Group. It will be continuing after the Acquisition.

## INDEBTEDNESS

### Borrowings

As at 30 April 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

| | Non-current portion | Current portion | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Group** | | | |
| Due to immediate holding company *(note a)* | 1,800 | – | 1,800 |
| **Target Group** | | | |
| Due to immediate holding company *(note b)* | – | 7,273 | 7,273 |
| | 1,800 | 7,273 | 9,073 |

*Notes:*

a. On 3 December 2010, a controlling shareholder, Zhejiang Hengtai Real Estate Joint Stock Co., Ltd., and the immediate holding company, Liancheng Fire-Fighting Group Company Limited, had undertaken to provide to the Company an unsecured, interest-free loan facility in the sum of not exceeding RMB50 million (the "Facility") for a term of five years. The Facility could be extended for further two years.

b. The amount due to immediate holding company of the Target Group is unsecured and interest-free and has no fixed repayment terms.

### Mortgage and charges

As at 30 April 2013, the Enlarged Group did not have any mortgage and charges.

### Contingent liabilities

As at 30 April 2013, the Enlarged Group had no material contingent liabilities.

### Commitments

As at 30 April 2013, the Enlarged Group had no material capital commitments.

### Disclaimers

Save as aforesaid herein and apart from intra-group liabilities, as at 30 April 2013, the Enlarged Group had no debt securities issued and outstanding, and authorised or otherwise created but issued, term loans, distinguishing between guaranteed by the Enlarged Group, guaranteed by independent third parties, unguaranteed, secured and unsecured bank borrowings including, bank loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

**No material changes**

Save as disclosed herein, the Directors confirmed that there have not been any material changes in the indebtedness of the Enlarged Group since 30 April 2013 up to the Latest Practicable Date.

## WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available funding from the immediate holding company and the ultimate controlling parent enterprise of the Company, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for a period of at least 12 months from the date of publication of this circular.

## MATERIAL CHANGE

Up to and including the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up.

## (A) PROFIT FORECAST

| | |
|---|---|
| Forecasted pro forma profit attributable to shareholders of the Company for the year ending 31 December 2013 (the "Forecast Period") | Not less than RMB6.9 million |

## (B) BASES AND ASSUMPTIONS

The forecast has been prepared on the basis of the accounting policies being consistent in all material respects with those currently adopted by the Group and the Anchor Group (as summarised in Appendix II "Financial Information of Anchor Group" to this circular). The forecast of the Enlarged Group has been prepared under merger accounting as if the Anchor Group had been combined since 1 January 2012. The forecast has been prepared on the following principal assumptions:

**General assumptions**

1. There will be no material changes in the existing political, legal, fiscal, foreign trade or economic conditions in the PRC in which the Group operates.

2. There will be no material changes in the bases or rates of taxation of the PRC in which the Group operates.

3. There will be no material changes in inflation, interest rates or foreign currency exchange rates from those currently prevailing in the PRC in which the Group operates.

4. There will be no unexpected material deficiency in the supply of raw materials and no unexpected material disruption to the delivery schedules of the Group during the Forecast Period.

5. Except for the credit crisis in the European economy, which affects the revenue derived from agency sales, there will be no material fluctuation in demand of the fire-fighting products and pressure vessels over the worldwide market.

**Specific assumptions**

1. The direct outgoings and administrative expenses of the Group are estimated by reference to historical costs. The expenses were expected to remain stable during the Forecast Period. They are assumed to be paid in the month incurred.

2. There will be no significant changes in the principal activities of the Group, which are the manufacture and sales of fire-fighting products and pressure vessels by the Company except that the suspension of the product certificates for the fire extinguishers affecting the manufacture and sales of water spray and carbon dioxide fire extinguishers during the period from March to July 2012 and dry powder fire extinguishers during the period from March 2012 to February 2013.

3. There will be no significant changes in the sales of water spray and carbon dioxide fire extinguishers during the Forecast Period and the product certificates for the Company's dry powder fire extinguishers were obtained in February 2013, the production of the dry powder fire extinguishers will be forecast to be back to normal level starting from March 2013.

4. Jiangshan Branch has not yet obtained the necessary production licence for the manufacture and sale of Category B fire-fighting products as at the date of this circular. Therefore, no revenues generated from the production of Category B fire-fighting products will be taken into account and projected in the forecast for prudence.

**(1) LETTER FROM THE REPORTING ACCOUNTANT**

The following is the text of a report, prepared for inclusion in this circular by the Company's reporting accountants, Ascenda Cachet CPA Limited, Certified Public Accountants, Hong Kong in connection with the forecast of pro forma profit for the Enlarged Group for the year ending 31 December 2013.

Ascenda CACHET
天健德揚

7 June 2013

The Board of Directors
**Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.**

Dear Sirs,

We understand that the directors (the "Directors") of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company", together with its subsidiary, collectively the "Group", and together with 上海鐵錨壓力容器(集團)有限公司 (Shanghai Anchor Pressure Vessel (Group) Co., Limited) and its subsidiaries, collectively the "Enlarged Group") included the projected results of the Enlarged Group for the period from 1 January 2013 to 31 December 2013 (the "Profit Forecast") in Appendix IV to the circular dated 7 June 2013 (the "Circular") issued by the Company.

The Profit Forecast has been prepared by the Directors using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the Profit Forecast since the other anticipated events may or may not occur as expected.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" with reference to the procedures under Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants. Our work was performed solely to assist the Directors to evaluate whether the Profit Forecast was complied properly so far as the accounting policies that have been used and the related calculations are concerned. We have reviewed the calculation of the Profit Forecast, the accounting policies underlying the Profit Forecast with the accounting policies adopted by the Group. We reviewed and found that accounting policies are consistent with those accounting policies adopted by the Group.

In our opinion, the Profit Forecast, so far as the calculations are concerned, has been properly compiled in accordance with bases and assumptions adopted by the Directors in preparing the Profit Forecast and is presented on a basis consistent in all material respects, with the accounting policies adopted by the Group.

This letter is provided solely for your information. Therefore you cannot, without our prior written consent, refer to or use our name or the latter for any other purpose, refer to them in any documents, or make them available or communicate them to any other party, save as required by the regulatory authorities including but not limited to The Stock Exchange of Hong Kong Limited from time to time. In performing our duties in the subject matter, subject to the industry standards of which we are a member, we accept no liability to any other party who is shown or gains access to this letter.

Yours faithfully,

**Ascenda Cachet CPA Limited**
*Certified Public Accountants*

**Chan Chi Yuen**
Practising Certificate number P02671
Hong Kong

**(2) LETTER FROM THE FINANCIAL ADVISER**

The following is the text of a letter, prepared for inclusion in this circular by BOCOM International (Asia) Limited, in connection with the forecast of pro forma profit for the Enlarged Group for the year ending 31 December 2013.

7 June 2013

The Board of Directors
**Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.**

Dear Sirs,

We refer to the forecast pro forma profit of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company", together with its subsidiary, collectively the "Group", and together with 上海鐵錨壓力容器(集團)有限公司 (Shanghai Anchor Pressure Vessel (Group) Co., Limited) and its subsidiaries, collectively the "Enlarged Group") for the year ending 31 December 2013 (the "Profit Forecast") in Appendix IV to this circular.

The Profit Forecast, for which the directors of the Company (the "Directors") are solely responsible, has been prepared by the Directors based on a forecast of the pro forma results of the Enlarged Group for the year ending 31 December 2013.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 7 June 2013 addressed to you from Ascenda Cachet CPA Limited ("Ascenda") regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Ascenda, we have formed the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
**BOCOM International (Asia) Limited**
**Griffin Tse**
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this circular misleading. All Directors issuing this circular jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular or this circular misleading.

## 2. SHARE CAPITAL

The registered and issued share capital of the Company as at the Latest Practicable Date are as follows:

| **Registered, issued and fully paid:** | *RMB'000* |
|---|---|
| 131,870,000 unlisted domestic shares ("Domestic Shares") of RMB0.10 each | 13,187 |
| 55,560,000 overseas listed foreign invested shares ("H Shares") of RMB0.10 each | 5,556 |
| | 18,743 |

All the issued Shares rank pari passu with each other in all respects including the right as to dividend, voting and interest in capital. The Company did not issue any new Shares from 31 December 2012, i.e. the last financial year end of the Company, up to the Latest Practicable Date.

**Options, warrants and other convertible securities**

The Company did not have any options, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

## 3. DISCLOSURE OF INTERESTS BY DIRECTORS

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

**Long position in the Shares**

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

*Note 1:*

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

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

## 4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

### (a) Substantial Shareholders of the Company

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

**Long Position in the Shares – Substantial shareholders**

| Name | Type of interest | Number of Shares held | Approximate % of the issued Share capital of the Company |
|---|---|---|---|
| Liancheng *(Note 1)* | Beneficial owner | 131,870,000 *(Note 2)* | 70.36% |
| | Held by controlled corporation | 1,300,000 *(Note 3)* | 0.69% |
| Hengtai Real Estate *(Note 4)* | Held by controlled corporation | 131,870,000 *(Note 2)* *(Note 3)* | 70.36% |
| | Held by controlled corporation | 1,300,000 *(Note 3)* | 0.69% |

*Notes:*

1. Mr. Zhou Jin Hui, an executive Director, is a director of Liancheng. Mr. Gong Xu Lin, an executive Director, is the manager of the legal department of Liancheng. Ms. Chai Xiao Fang, a non-executive Director, is a supervisor of Liancheng.

2. All represent domestic shares of the Company. 131,870,000 Domestic Shares represented 100% of the total issued Domestic Shares.

3. Liancheng held 131,870,000 Domestic Shares. Liancheng HK, a 100% subsidiary of Liancheng, held 1,300,000 H Shares. Hengtai Real Estate held 80% of the equity interest in Liancheng and Mr. Zhou Jin Hui held 58% and 20% of the equity interest in Hengtai Real Estate and Liancheng respectively. Accordingly, Hengtai Real Estate and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 Domestic Shares and 1,300,000 H Shares in the Company. 1,300,000 H Shares represented approximately 2.34% of the total issued H Shares.

4. Mr. Zhou Jin Hui, an executive Director, is a director of Hengtai Real Estate. Ms. Chai Xiao Fang, a non-executive Director, is the deputy general manager of Hengtai Real Estate.

**(b) Holders of 10% or more share capital of a member of the Enlarged Group**

As at the Latest Practicable Date, so far as was known to the Directors, supervisors and chief executives, the following persons were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group (other than as disclosed above).

| Name of shareholder of the member of the Enlarged Group | Name of member of the Enlarged Group | Approximately percentage of shareholding in that member |
|---|---|---|
| Xing Li Juan | Liming | 10% |
| Yangjing | Special Cylinder | 40% |

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executives of the Company, there was no other person who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Compamy 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, or had a direct or indirect interests amounting to 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a member of the Enlarged Group.

## 5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save as Mr. Zhou Jin Hui's interest in Liancheng, one of the Vendors in the proposed Acquisition as disclosed under the paragraph headed "Implications under the GEM Listing Rules" in the "Letter from the Board" in this circular, none of the Directors, was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

Save as Mr. Zhou Jin Hui's interest in Liancheng, one of the Vendors in the proposed Acquisition as disclosed under the paragraph headed "Implications under the GEM Listing Rules" in the "Letter from the Board" in this circular, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 6. DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESSES

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

## 7. EXPERTS AND CONSENTS

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

| Name | Qualification |
|---|---|
| BOCOM International (Asia) Limited | a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| REORIENT Financial Markets Limited | a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |
| Ascenda Cachet CPA Limited | Certified Public Accountants |
| Deheng Shanghai Law Office | PRC Legal Advisers |

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Enlarged Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Enlarged Group, respectively, since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up.

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their respective reports or opinions and references to their names in the form and context in which they appear.

## 8. MATERIAL CONTRACTS

The following contracts have been entered into by the Enlarged Group (not being contracts entered into in the ordinary course of business) after the date two years immediately preceding the issue of the Announcement and up to the Latest Practicable Date and are or may be material:

(i) the Sale and Purchase Agreement;

(ii) the Excluded Interest Agreement; and

(iii) the Supplemental Agreements.

## 9. SERVICE CONTRACTS

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

## 10. LITIGATION

As at the Latest Practicable Date, the Directors are not aware that any member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any members of the Enlarged Group.

## 11. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Zhou Jin Hui (周金輝)**, aged 42, has been an executive Director since July 2009. He is the chairman of the Company, a chairman and a director of Anchor and a director of Liancheng HK, Liancheng and Hengtai Real Estate. Mr. Zhou started management of business when he co-founded Jiangshan Construction Decoration Engineering Ltd.* (江山市建築裝飾配套工程有限公司) which was established in 1996. He was a founder of Jiangshan Hengtai Real Estate Co. Ltd.* (江山市恒泰房地產有限公司) in 1998 which was converted into Hengtai Real Estate in 2003. Mr. Zhou completed the business administration programme in the International Business University of Beijing* (北京國際商務學院) in 1998 and the training programme for senior manager in Tsinghua University* (清華大學) in 2005. In addition, he was conferred the degree of master of business administration from the University of Management and Technology, Commonwealth of Virginia, the United States of America in 2007.

As at the Latest Practicable Date, Liancheng held 131,870,000 Domestic Shares. Liancheng HK, a 100% subsidiary of Liancheng, held 1,300,000 H Shares. Hengtai Real Estate held 80% of the equity interest in Liancheng and Mr. Zhou Jin Hui held 58% and 20% of the equity interest in Hengtai Real Estate and Liancheng respectively. Accordingly, Mr. Zhou was deemed to be interested in 131,870,000 Domestic Shares held by Liancheng and 1,300,000 H Shares held by Liancheng HK.

**Mr. Shen Jian Zhong (沈建忠)**, aged 47, has been an executive Director since April 2011. In April 2011, he joined the Company as the general manager. He has more than 26 years of experience in the relevant industry as explained below. He had worked in Shanghai Sanhe Hydro Power Equipment Co., Ltd.* (上海三和水利電力設備有限公司) from July 1985 to November 1998 in various positions, including worker, supervisor, and deputy general manager. In November 1998, he joined the Company and worked as deputy general manager and general manager till August 2006. He then worked in Shanghai High Pressure as deputy general manager from August 2006 to January 2007, Shanghai Shenwei Medical Use Gas Co., Ltd.* (上海申威醫用氣體有限公司) as project director from February 2007 to December 2009, and Shanghai Pujiang Special Gas Co., Ltd.* (上海浦

江特種氣體有限公司) as deputy general manager from January 2010 to December 2010. Mr. Shen graduated from Shanghai Agricultural Machinery Industrial Bureau Machinery Manufacture School* (上海市農業機械工業局機械製造學校) in 1985.

**Mr. Gong Xu Lin (龔需林)**, aged 39, has been an executive Director since April 2011. He was appointed as a non-executive Director in August 2009. He has been the manager of the legal department of Liancheng since March 2007. Mr. Gong has over 19 years of experience in managing legal affairs. Mr. Gong worked in Zhejiang Wancheng Law Office* (浙江萬盛律師事務所) from October 2000 to March 2007 and was an executive (職務科員) of the Bureau of Justice in Jiangshan City* (江山市司法局) from August 1993 to October 2000. Mr. Gong completed the law course jointly organised by China Central Radio & TV University* (中央廣播電視大學) and the China University of Political Science and Law* (中國政法大學) in 2004.

**Non-executive Directors**

**Ms. Chai Xiao Fang (柴曉芳)**, aged 49, has been a non-executive Director since July 2009. She has around 17 years of experience in finance and management. As advised by Hengtai Real Estate, Ms. Chai has been the deputy general manager of Hengtai Real Estate since June 2003. Prior to joining Hengtai Real Estate in June 2003, she worked in the Jiangshan branch of China Construction Bank as relationship manager from December 1994 to May 2003. Ms. Chai is also a supervisor of Liancheng. Ms. Chai completed the accountancy programme in Zhejiang Province Zhonghua Accountancy Distant Learning College* (浙江省中華會計函授學院) and the economic and management programme in Hangzhou University* (杭州大學) in 1996. In addition, she completed the law programme of network education in China University of Geosciences* (中國地質大學) in 2005 and the training programme for financial controller in 2006 and the training programme for senior manager in 2008 both organised by the Professional Managers Training Centre* (職業經理訓練中心) of Tsinghua University* (清華大學).

**Ms. Wang Xiang (王翔)**, aged 51, has been a non-executive Director since August 2009. She has more than 4 years of experience in finance and accounting. As advised by Anchor, Ms. Wang was the deputy general manager and financial controller of Anchor from May 2007 to November 2011. She was the chief accountant and deputy general manager of Shanghai Huasheng during the period from September 2006 to April 2007. Prior to joining Shanghai Huasheng, she was the chief accountant and assistant to the general manager of Shanghai Moshida Enterprise Development Company Limited* (上海魔士達企業發展有限公司) from April 2002 to February 2005. Ms. Wang completed the economic management programme in Nanjing Political College of the People's Liberation Army of China* (中國人民解放軍南京政治學院) in 2002. Further, she also completed the professional postgraduate programme of management science and engineering from Shanghai University* (上海大學) in 2003. She was conferred the qualification of a certified internal auditor under China Institute of Internal Audit* (中國內部審計協會) in 2007, the qualification of an accountant under the Shanghai Light Industry Bureau Intermediate Accounting Professional Skill Occupational Eligibility Assessment Committee* (上海市輕工業局會計系列中級專業技術職務在職資格評審委員會) in 1992, the qualification of a senior business operator recognised by the Occupational Skill Testing and Instruction Centre of China* (中國商業職業技能鑒定指導中心) and the State Senior Business

Operator Assessment Committee* (全國高級經營師評審委員會), and the qualification of a certified public accountant in the PRC as recognised by the Ministry of Finance Certified Public Accountant Examination Committee* (財政部註冊會計師考試委員會) in 1996.

**Independent non-executive Directors**

**Mr. Wang Guo Zhong (王國忠)**, aged 55, has been an independent non-executive Director since October 2000. He has over 20 years of experience in legal practice. He has 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 2010.

**Mr. Yang Chun Bao (楊春寶)**, aged 57, has been an independent non-executive Director since October 2000. He has around 31 years of experience in finance and accounting. Mr. Yang has been admitted as a certified public accountant and he joined Shanghai Huashen Certified Public Accountants Ltd.* (上海華申會計師事務所有限公司) in November 1973 and became a deputy supervisor (副主任) of the accounting firm in June 2005. In July 2011, he was promoted to be the accountant-in-charge (主任會計師) of the firm. Mr. Yang was conferred a degree of master of science in business administration by Madonna University at Livonia, Michigan, the USA in December 1999.

**Mr. Zhang Cheng Ying (張承纓)**, aged 67, has been an independent non-executive Director since August 2009. He is also an independent director of SOYEA Technology Co., Ltd.* (數源科技股份有限公司), a company listed on the Shenzhen Stock Exchange. He has around 26 years of experience in public administration. He was the secretary for the Zhejiang Province State-owned Assets Supervision and Administration Commission* (浙江省國有資產管理局) from November 1989 to July 1995, and the commissioner and deputy commissioner of the Zhejiang Province Finance Supervisory Commissioner Office of Ministry of Finance* (財政部駐浙江省財政監察專員辦事處) from July 1995 to February 2005. He had worked in the Zhejiang Provincial Civil Air Defence Office* (浙江省人民防空辦公室) during the period from October 1978 to November 1989. Mr. Zhang completed the industrial and electrical automation programme (工業電氣自動化) in Zhejiang University* (浙江大學) in 1975.

The Directors intend to continue to stay in the Company's board of directors after the resumption of trading in the H Shares.

**Senior Management**

**Mr. Mo Qian Meng (毛謙孟)**, aged 47, has been the deputy general manager of the Company since November 2008. He has more than 14 years of experience in the fire-fighting equipment industry. He worked as the manager of Xinjiang Korla Yinjian Fire-fighting Equipment Co., Ltd.* (新疆庫爾勒銀劍消防設備有限責任公司) during the period from January 1994 to December 2003. Mr. Mo completed a 2-year fire engineering course from the network education school of Southwest Jiaotong University.

**Mr. Wan Xi Zhong (宛西中)**, aged 51, is the chief engineer of the Company. He has more than 27 years of experience in the equipment manufacturing industry. He joined the Company in October 2000 and had worked as the deputy manager and manager of the development department, assistant to general manager, and the chief engineer. Before he joined the Company, he had worked in various positions, including deputy manager and manager of the technical department of Baosteel Group People's Machinery Factory* (寶鋼集團人民機械廠) during the period from July 1985 to July 2000. Mr. Wan graduated from Jiangxi National Defence Industry Staff College* (江西省國防工業職工大學) with studies in mechanical manufacturing in 1985.

**Mr. Xiao Li Jun (肖立君)**, aged 51, is the deputy general manager of the Company. He has more than 6 years of experience in production management. Mr. Xiao joined the Company in September 2006 as a production manager. He joined Qingpu Fire-fighting Equipment Factory* (青浦消防器材廠) in 1979. Mr. Xiao completed secondary school education.

**Mr. Zhao Da Rong (趙大榮)**, aged 44, has been the office manager of the Company since November 2006. He has over 20 years of experience in general management. Before he joined the Company, he had worked as the deputy office manager and office manager of Shanghai Huasheng during the period from December 1997 to November 2006, and as the office manager and deputy general manager of Shanghai Huasheng Fine Chemicals Co., Ltd.* (上海華盛精細化工有限公司) from February 1992 to December 1997. Mr. Zhao graduated from Shanghai Anting Teachers Training School (上海市安亭師範學校) with a major in education in July 1988. He completed the training course of intermediate professional manager (national professional qualification Grade 2) (中級職業經理人(國家職業資格二級)培訓班) held by Shanghai Centre for Quality of Management* (上海卓越管理中心) in August 2008.

**Mr. Luo Jun (駱軍)**, aged 39, is the technical manager of the Company. He has more than 9 years of experience in industrial techniques. He joined the Company in January 2004 and had been working as technician and technical manager. He had worked as a technician in Baosteel People's Machinery Factory* (寶鋼集團人民機械廠) during the period from August 1996 to January 2000. Mr. Luo graduated from Nanchang Hankong Industrial College* (南昌航空工業學院) with studies in metal forming process and equipment in 1996.

**Ms. Shi Yan (石燕)**, aged 46, is the manager of quality inspection department of the Company. She has over 18 years of experience in quality control. She joined the Company in December 2006 as the manager of quality inspection department. Before this, she had worked as the deputy manager of the quality inspection department of Shanghai Huasheng during the period from September 2003 to November 2004 and as quality inspector of Shanghai Unilever Co., Ltd.* (上海聯合利華股份有限公司) during period from July 1986 to July 2003. Ms. Shi completed professional studies from Shanghai No. 2 Light Industry School* (上海市第二輕工業學校).

**Mr. Li Hua (李華)**, aged 51, is the production facility department manager of the Company. He has more than 22 years of experience in factory manufacturing. In 1979, Mr. Li was arranged to work in Qingpu Fire-fighting Equipment Factory* (青蒲消防器材廠). He worked in Qingpu Shanhu Machinery Factory* (青蒲山湖機械廠) from January 1990 to February 2001 as a workshop supervisor. In March 2001, he joined the Company and worked as workshop supervisor, deputy manager and manager of the production facility department. Mr. Li completed secondary school education.

**Ms. Zhang Li Min (張麗敏)**, aged 58, has been the executive director of Liming since May 2009. She has over 12 years of experience in fire safety industry. She has been the chairperson of Shanghai Tianlin Fire Safety Engineering Co., Ltd.* (上海天淋消防安全工程有限公司) since November 2003. She had worked in Shanghai Tiande Safety Technology Co., Ltd.* (上海天德安全科技有限公司) during the period from 1998 to 2003. She worked as the division head of the infrastructure division of Shanghai Jiabao Group Joint Stock Co., Ltd.* (上海嘉寶集團股份有限公司基建科) from April 1992 to April 1998. Ms. Zhang graduated from the China Agricultural TV School* (中國農業廣播電視學校) with studies in agricultural economic management in 1988.

**Ms. Xing Li Juan (刑麗娟)**, aged 31, has been the general manager of Liming since May 2009. She has over eight years of experience in fire testing and consultancy. Prior to joining Liming, she worked in Shanghai Tianlin Fire Safety Engineering Co., Ltd.* (上海天淋消防安全工程有限公司) during the period from July 2004 to May 2009. Ms. Xing graduated from Jilin Construction Engineering College* (吉林建築工程學院) with a bachelor's degree in electrical engineering and automation in 2004. She was conferred the qualification of engineer by the Shanghai Professional Test Authority* (上海市職業能力考試院) in 2010 and the qualification of fire technology inspecting services (消防技術檢測服務) by the Shanghai Fire Protection Association (上海市消防協會) in 2009.

## 12. CORPORATE INFORMATION OF THE COMPANY

| | |
|---|---|
| **Registered Office** | 1988 Jihe Road<br>Hua Xin Town<br>Qingpu District, Shanghai<br>PRC |
| **Principal place of business** | Unit 2605<br>Island Place Tower<br>510 King's Road<br>North Point<br>Hong Kong |
| **Stock Code** | 8115 |
| **Authorised representatives** | Mr. Wong Kwan Pui<br>Mr. Gong Xu Lin |

## 13. PARTIES INVOLVED

| | |
|---|---|
| **Financial adviser to the Company** | BOCOM International (Asia) Limited<br>9/F, Man Yee Building<br>68 Des Voeux Road Central<br>Hong Kong |

| | |
|---|---|
| **Independent Financial Adviser** | REORIENT Financial Markets Limited<br>Suites 1102-03, 11/F<br>Far East Finance Centre<br>16 Harcourt Road<br>Admiralty<br>Hong Kong |
| **Reporting Accountants** | Ascenda Cachet CPA Limited<br>13/F, Neich Tower<br>128 Gloucester Road<br>Wanchai<br>Hong Kong |
| **Legal adviser as to Hong Kong laws** | King & Wood Mallesons<br>13/F, Gloucester Tower<br>The Landmark<br>15 Queen's Road Central<br>Hong Kong |
| **Legal adviser as to PRC laws** | Deheng Shanghai Law Office<br>Room 1704, Taiping Finance Tower<br>488 Yincheng (Mid) Road<br>Shanghai 200120<br>PRC |
| **Branch share register** | Computershare Hong Kong Investor Services Limited<br>46/F, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |

## 14. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) this circular;

(b) the articles of association of the Company;

(c) the Company's annual reports for the three years ended 31 December 2010, 2011 and 2012;

(d) the accountant's report of Ascenda Cachet CPA Limited on the Anchor Group for the three years ended 31 December 2010, 2011 and 2012 set out in Appendix II to this circular, its letter on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, and its letter on the profit forecast of the Enlarged Group set out in Appendix V to this circular;

(e) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 33 to 45 of this circular;

(f) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 31 to 32 of this circular;

(g) the letter from BOCOM International (Asia) Limited on the profit forecast of the Enlarged Group set out in Appendix V to this circular;

(h) the legal opinion issued by Deheng Shanghai Law Office, the PRC legal advisers to the Company;

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

(j) the material contracts as set out in this appendix.

**15. GENERAL**

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

2. The secretary of the Company is Mr. Wong Kwan Pui who is a member of the Hong Kong Institute of Certified Public Accountants.

3. The compliance officer of the Company is Mr. Gong Xu Lin, an executive Director.

4. The audit committee of the Company comprises Yang Chun Bao and Zhang Cheng Ying, who are independent non-executive Directors and Chai Xiao Fang, who is a 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.

   Mr. Yang Chun Bao is a certified public accountant registered with the Chinese Institute of Certified Public Accountants. He has around 31 years of experience in finance and accounting. Mr. Yang joined Shanghai Huashen Certified Public Accountants Ltd.* (上海華申會計師事務所有限公司) in November 1973 and became a deputy supervisor (副主任) of the accounting firm in June 2005. In July 2011, he was promoted to be the accountant-in-charge (主任會計師) of the firm. Mr. Yang was conferred a degree of master of science in business administration by Madonna University at Livonia, Michigan, the USA in December 1999.

Ms. Chai Xiao Fang has around 17 years of experience in finance and management. As advised by Hengtai Real Estate, Ms. Chai has been the deputy general manager of Hengtai Real Estate since June 2003. Prior to joining Hengtai Real Estate in June 2003, she worked in the Jiangshan branch of China Construction Bank as relationship manager from December 1994 to May 2003. Ms. Chai is also a supervisor of Liancheng. Ms. Chai completed the accountancy programme in Zhejiang Province Zhonghua Accountancy Distant Learning College* (浙江省中華會計函授學院) and the economic and management programme in Hangzhou University* (杭州大學) in 1996. In addition, she completed the law programme of network education in China University of Geosciences* (中國地質大學) in 2005 and the training programme for financial controller in 2006 and the training programme for senior manager in 2008 both organised by the Professional Managers Training Centre* (職業經理訓練中心) of Tsinghua University* (清華大學).

Mr. Zhang Cheng Ying is also an independent director of SOYEA Technology Co., Ltd.* (數源科技股份有限公司), a company listed on the Shenzhen Stock Exchange. He has around 26 years of experience in public administration. He was the secretary for the Zhejiang Province State-owned Assets Supervision and Administration Commission* (浙江省國有資產管理局) from November 1989 to July 1995, and the commissioner and deputy commissioner of the Zhejiang Province Finance Supervisory Commissioner Office of Ministry of Finance* (財政部駐浙江省財政監察專員辦事處) from July 1995 to February 2005. He had worked in the Zhejiang Provincial Civil Air Defence Office* (浙江省人民防空辦公室) during the period from October 1978 to November 1989. Mr. Zhang completed the industrial and electrical automation programme (工業電氣自動化) in Zhejiang University* (浙江大學) in 1975.

Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*
上海青浦消防器材股份有限公司
*(a joint stock limited company incorporated in the People's Republic of China)*
**(Stock Code: 8115)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**Meeting**") of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "**Company**") will be held at No.1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC on Tuesday, 23 July 2013 at 2:00 p.m. for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions (each a "**Resolution**") as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 7 June 2013.

a) the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) be and are hereby approved, confirmed and ratified;

b) the execution, delivery and performance of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements and the Excluded Interest Agreement and all documents, deeds and agreements contemplated thereunder or incidental thereto by the Company and/or its subsidiary be and are hereby approved, confirmed and ratified;

c) the transactions contemplated under each of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements and the Excluded Interest Agreement (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) and all actions taken or to be taken by the Company and/or its subsidiaries pursuant thereto be and are hereby approved, confirmed and ratified;

* *For identification purpose only*

d) any Director be and is hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as he may in his discretion consider necessary or expedient to carry out and implement the Sale and Purchase Agreement (as supplemented by the Supplemental Agreements), the Supplemental Agreements, the Excluded Interest Agreement and the transactions contemplated under each of them (including the Acquisition and the exclusion of the Excluded Interest in the Acquisition under the Excluded Interest Agreement) into full effect."

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

Hong Kong, 7 June 2013

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

Notes:

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

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

(3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the Meeting or any adjournment thereof.

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

(5) The votes for approving all the above Resolutions shall be taken by poll.

* *For identification purpose only*

(6) The holders of shares (the "**Shareholders**") whose names appear on the register of members on 23 June 2013 will be entitled to attend the Meeting. The holders of H shares of the Company ("**H Shares**") are reminded that the register of members of the Company's H Shares will be closed from 23 June 2013 to 23 July 2013, both days inclusive, during the period no transfer of H Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 June 2013. The holder of H Shares and whose name appears on the register of members of the Company's H Shares on 23 June 2013 or his/her proxy may attend the Meeting by bringing his/her own identity card or passport. The connected persons of the Acquisition shall abstain from voting in relation to the above resolutions.

(7) Shareholders who intend to attend the Meeting should complete and return the completed and signed reply slip for attendance to the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 2 July 2013 in accordance with the instructions printed thereon. Please use the enclosed reply slip or its copy for the purpose of confirmation.