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The Hong Kong Building and Loan Agency Limited

香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

**(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN
WELDTECH TECHNOLOGY CO. LIMITED
INVOLVING THE ISSUE OF CONSIDERATION SHARES,
CONVERTIBLE BONDS AND PROMISSORY NOTES;
AND
(2) RESUMPTION OF TRADING**

BACKGROUND

In 2011, the Company, the Previous Purchaser (a wholly-owned subsidiary of the Company) and the Previous Vendors entered into the Previous Sale and Purchase Agreement, pursuant to which the Previous Purchaser agreed to acquire the entire issued share capital of Weldtech Technology from the Previous Vendors, at a consideration in the form of cash and issue of Shares, promissory notes and convertible notes by the Company. The Previous Acquisition constituted a very substantial acquisition of the Company at the material time.

The Previous Sale and Purchase Agreement was conditional upon, amongst others, that a placing agreement for the Company's placing of new Shares with net proceeds of not less than HK\$900,000,000 having become unconditional. The Previous Acquisition was approved by the Shareholders at an extraordinary general meeting of the Company in June 2011. The Company entered into placing agreements in relation to the Previous First Placing and Previous Second Placing as part of the Previous Acquisition. However, such placings were not completed owing to the then global financial turmoil. The Company, the Previous Purchaser and the Previous Vendors eventually decided to terminate the Previous Sale and Purchase Agreement in August 2012 for reasons set out in the announcement of the Company dated 24 August 2012.

Notwithstanding the termination of the Company's previous attempt to acquire Weldtech Technology, the Company remains interested in Weldtech Technology as it is optimistic about the growth potential of the Weldtech Group. The Company managed to negotiate with the current shareholders of Weldtech Technology for acquiring Weldtech Technology. The Vendors, the Purchaser and the Company eventually entered into the Sale and Purchase Agreement on 31 October 2013.

THE ACQUISITION

Reference is made to the announcement of the Company dated 6 September 2013 in relation to, among other things, the possible investment in the energy saving sector and possible fund raising; the announcement of the Company dated 1 November 2013 in relation to the suspension of trading in the Shares pending the publication of this announcement; and the announcement of the Company dated 5 November 2013 in relation to the latest status of the Acquisition and the continued suspension of trading in the Shares pending the publication of this announcement.

As part of the business continuity and as a re-launch of the Previous Acquisition, the Board is pleased to announce that on 31 October 2013, the Purchaser, a wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of Weldtech Technology at a total consideration of HK\$2,476,000,010. The Company, as the Purchaser's guarantor, has unconditionally and irrevocably undertaken to procure the due and punctual performance by the Purchaser of all its obligations and commitments under the Sale and Purchase Agreement.

Pursuant to the Sale and Purchase Agreement, the Deposit of HK\$10,000,000 shall be paid by the Purchaser within 14 days upon the execution of the Sale and Purchase Agreement. The balance of the Consideration shall be satisfied upon Completion: (i) as to HK\$33,100,000 by way of cashier orders ; (ii) as to HK\$1,262,500,010 by way of issue of the Convertible Bonds; (iii) as to HK\$1,034,400,000 by way of issue of the Promissory Notes ; and (iv) as to HK\$136,000,000 by way of allotment and issue of the Consideration Shares. Details of the payment terms are set out in the paragraph headed "Consideration" in the section headed "Sale and Purchase Agreement" below.

According to the Vendors, the Weldtech Group is principally engaged in providing energy monitoring and energy saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption and to enhance overall energy efficiency of central air-conditioning system via its proprietary UPPC System and other components.

Completion is conditional upon, among others, the Shareholders at the EGM approving, among other things, the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement including, but not limited to the sale and purchase of the Sale Shares, the allotment and issue of the Consideration Shares and the Conversion Shares, as well as the issue of the Convertible Bonds. Further details of the conditions precedent to the Acquisition are set out in the paragraph headed "Conditions precedent" in the section headed "Sale and Purchase Agreement" below.

The Consideration Shares represent approximately 38.89% of the issued share capital of the Company as at the date of this announcement and approximately 28.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares but before the issue of the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Bonds.

The Conversion Shares represent approximately 361.04% of the issued share capital of the Company as at the date of this announcement and approximately 72.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Bonds. The Consideration Shares and the Conversion Shares shall be allotted and issued pursuant to the specific mandate to be granted by the Shareholders at the EGM.

The Issue Price is equivalent to the Conversion Price, which represents (i) a discount of approximately 11.11% to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on 31 October 2013, being the Last Trading Day; and (ii) a discount of approximately 5.21% to the average closing price of HK\$0.844 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and will accordingly be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons; and (ii) each of the Vendors, its ultimate beneficial owners and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the date of this announcement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. If the Vendors and their respective associates hold any Shares on the date of the EGM, they will be required to abstain from voting on the relevant resolutions to be proposed at the EGM in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened to be held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the sale and purchase of the Sale Shares, the allotment and issue of the Consideration Shares and the Conversion Shares, as well as the issue of the Convertible Bonds, and the granting of specific mandate to allot and issue the Consideration Shares and the Conversion Shares. A circular containing, among other things, (i) further details of the Acquisition and other information of the Group and the Enlarged Group; and (ii) a notice of the EGM, is expected to be despatched to Shareholders on or before 30 December 2013.

As Completion is subject to the conditions precedent set out in the Sale and Purchase Agreement and the Sale and Purchase Agreement is subject to certain termination provisions, the Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in securities of the Company.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 1 November 2013, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 9 December 2013.

BACKGROUND

References are made to:

- (i) the announcements of the Company dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011 and 6 October 2011 and the circular of the Company dated 31 May 2011 in relation to, among other things, a very substantial acquisition of the Company regarding the acquisition of the entire issued share capital in Weldtech Technology Co. Limited by the Previous Purchaser (the “**Previous Acquisition**”);
- (ii) the announcements of the Company dated 9 June 2011 and 20 July 2011 and the circular of the Company dated 22 June 2011 in relation to the first placing of new Shares under the specific mandate (the “**Previous First Placing**”);
- (iii) the announcements of the Company dated 18 October 2011 and 30 November 2011 and the circular of the Company dated 15 November 2011 in relation to the second placing of new Shares under the specific mandate (the “**Previous Second Placing**”, together with the Previous First Placing, “**Previous Placings**”);
- (iv) the announcement of the Company dated 22 March 2012 in relation to a proposed extension of the long stop date and revision of the structure of the Previous Acquisition;

- (v) the announcement of the Company dated 24 August 2012 in relation to, among other things, the entering into of the termination agreement by the Previous VSA Parties to terminate the Previous Sale and Purchase Agreement (as supplemented by the fifth supplemental agreement).

Previous Acquisition and Previous Placings

The Company, the Previous Purchaser (which was a wholly-owned subsidiary of the Company) and the Previous Vendors entered into the Previous Sale and Purchase Agreement, pursuant to which the Previous Purchaser agreed to acquire the entire issued share capital of Weldtech Technology from the Previous Vendors, i.e. the Previous Acquisition. The Previous Acquisition constituted a very substantial acquisition of the Company at the material time.

The consideration for the Previous Acquisition was HK\$2,800,000,000 which was to be satisfied in the form of cash and issue of Shares, promissory notes and convertible notes by the Company under the Previous Sale and Purchase Agreement.

The Previous Sale and Purchase Agreement was conditional upon, amongst others, that a placing agreement in form and substance acceptable to the Company and the Previous Vendors for the Company's placing of new Shares with net proceeds of not less than HK\$900,000,000 having become unconditional. The Shareholders approved the Previous Acquisition at an extraordinary general meeting of the Company held on 24 June 2011.

The Company entered into the first placing agreement in relation to the Previous First Placing in June 2011 as part of the Previous Acquisition. Owing to the then global financial turmoil, the Previous First Placing was not completed by the long stop date, which was on 30 September 2011. Accordingly, the placing agreement regarding the Previous First Placing lapsed on 30 September 2011 and the Previous First Placing did not proceed. The Company entered into the second placing agreement in relation to the Previous Second Placing in October 2011. Due to the then adverse conditions in the worldwide financial markets and the tumultuous stock market in Hong Kong and the lapse of the Previous Sale and Purchase Agreement in February 2012, the Previous Second Placing was not completed and was terminated in March 2012.

The Company, the Previous Purchaser and the Previous Vendors eventually decided to terminate the Previous Sale and Purchase Agreement in August 2012 for reasons set out in the announcement of the Company dated 24 August 2012.

Company's intention with respect to Weldtech Technology

Notwithstanding the termination of the Company's previous attempt to acquire Weldtech Technology, the Company remains interested in Weldtech Technology as it is optimistic about the growth potential of the Weldtech Group. The Directors believe that such acquisition will allow the Company to diversify into a new line of business with positive prospect.

Although there had been changes in the shareholding in Weldtech Technology since the lapse of the Previous Sale and Purchase Agreement, the Company managed to negotiate with the current shareholders of Weldtech Technology (i.e. the Vendors) for the Acquisition. The Vendors, the Purchaser and the Company eventually entered into the Sale and Purchase Agreement on 31 October 2013.

THE ACQUISITION UNDER THE SALE AND PURCHASE AGREEMENT DATED 31 OCTOBER 2013

Reference is made to the announcement of the Company dated 6 September 2013 in relation to, among other things, the possible investment in the energy saving sector and possible fund raising; the announcement of the Company dated 1 November 2013 in relation to the suspension of trading in the Shares pending the publication of this announcement; and the announcement of the Company dated 5 November 2013 in relation to the latest status of the Acquisition and the continued suspension of trading in the Shares pending the publication of this announcement.

As part of the business continuity and as a re-launch of the Previous Acquisition, the Board is pleased to announce that on 31 October 2013, the Purchaser, a wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of Weldtech Technology at a total consideration of HK\$2,476,000,010. Details of the terms and conditions of the Acquisition are set out below.

SALE AND PURCHASE AGREEMENT

Date : 31 October 2013

Parties:

Purchaser : Total Global Holdings Limited, a wholly-owned subsidiary of the Company

Vendors : (i) CIAM
(ii) Ample Richness
(iii) Smart Promise
(iv) Infinite Soar
(v) Cross Cone
(vi) Newmargin
(vii) Carbon Reserve
(viii) Season Best

Purchaser's Guarantor : the Company

The Company, as the Purchaser's guarantor, has unconditionally and irrevocably undertaken to procure the due and punctual performance by the Purchaser of all its obligations and commitments under the Sale and Purchase Agreement, and to indemnify the Vendors for any losses and expenses incurred by the Vendors arising from the non-performance of or delay in the performance of the Purchaser's obligations under the Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendors is an investment holding company and together with its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Save as disclosed above, the Company has not engaged in any previous transactions which were related to the Acquisition or with each of the Vendors in the 12 months prior to the date of the Sale and Purchase Agreement, which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

Assets to be acquired

The Sale Shares, being the entire issued share capital of Weldtech Technology, are held by the Vendors as at the date of this announcement, details of which are set out as follows:

Name of Vendor	Number of Sale Shares Held	Percentage of Sale Shares
CIAM	745	43.21346%
Ample Richness	295	17.11137%
Smart Promise	230	13.34107%
Infinite Soar	131	7.59861%
Cross Cone	102	5.91647%
Newmargin	100	5.80046%
Carbon Reserve	71	4.11833%
Season Best	50	2.90023%
Total:	<u>1,724</u>	<u>100.00000%</u>

Consideration

The Consideration of HK\$2,476,000,010 is payable to each Vendor as follows:

Name of Vendor	Amount of Consideration receivable (HK\$'000)	Percentage of Consideration receivable
CIAM	1,069,965.22	43.21346%
Ample Richness	423,677.49	17.11137%
Smart Promise	330,324.82	13.34107%
Infinite Soar	188,141.53	7.59861%
Cross Cone	146,491.88	5.91647%
Newmargin	143,619.49	5.80046%
Carbon Reserve	101,969.83	4.11833%
Season Best	71,809.75	2.90023%
Total:	<u>2,476,000.01</u>	<u>100.00000%</u>

Pursuant to the Sale and Purchase Agreement, the Deposit shall be paid by the Purchaser to CIAM within 14 days upon the execution of the Sale and Purchase Agreement as refundable deposit for the Sale Shares and as part payment for the Consideration at Completion. The purpose of the payment of such Deposit is to secure the Acquisition.

CIAM has unconditionally and irrevocably undertaken that, upon receipt of the Deposit from the Purchaser, it shall immediately on-lend the Deposit to Weldtech Technology as working capital of Weldtech Technology in the form of unsecured and unguaranteed shareholder's loan at nil interest to Weldtech Technology and repayable on demand at any time. Nevertheless, CIAM has unconditionally and irrevocably undertaken that it will not request repayment of such shareholder's loan by Weldtech Technology within 30 Business Days after Completion, unless the Sale and Purchase Agreement is terminated or ceases to become effective. At the expiry of the 30 Business Days upon Completion, the Company shall return the Deposit to CIAM within 14 days after a demand notice is served by CIAM. Such arrangement purports to strengthen the cash position of the Weldtech Group pending Completion.

The Consideration (other than the Deposit) is to be satisfied in the following manner:

I. Cashier orders:

As to HK\$33,100,000 by way of cashier orders by the Purchaser to the Vendors upon Completion in the following manner:

Name of Vendor	Amount of cash receivable (HK\$'000)
CIAM	8,625.00
Ample Richness	7,375.00
Smart Promise	5,750.00
Infinite Soar	3,275.00
Cross Cone	2,550.00
Newmargin	2,500.00
Carbon Reserve	1,775.00
Season Best	<u>1,250.00</u>
Total:	<u><u>33,100.00</u></u>

Payment of the Consideration in cashier orders shall be funded by the internal resources of the Group.

II. Convertible Bonds:

As to HK\$1,262,500,010 by way of issue of the Convertible Bonds by the Company (as procured by the Purchaser) to the Vendors upon Completion in the following manner:

Name of Vendor	Convertible Bonds A (HK\$'000)	Convertible Bonds B (HK\$'000)	Total (HK\$'000)
CIAM	187,969.90	357,600.00	545,569.90
Ample Richness	74,431.03	141,600.00	216,031.03
Smart Promise	58,030.98	110,400.00	168,430.98
Infinite Soar	33,052.43	62,880.00	95,932.43
Cross Cone	25,735.48	48,960.00	74,695.48
Newmargin	25,230.86	48,000.00	73,230.86
Carbon Reserve	17,913.91	34,080.00	51,993.91
Season Best	12,615.42	24,000.00	36,615.42
Total:	<u>434,980.01</u>	<u>827,520.00</u>	<u>1,262,500.01</u>

III. Promissory Notes:

As to HK\$1,034,400,000 by way of issue of the Promissory Notes by the Company (as procured by the Purchaser) to the Vendors upon Completion in the following manner:

Name of Vendor	Promissory Notes A (HK\$'000)	Promissory Notes B (HK\$'000)	Promissory Notes C (HK\$'000)	Total (HK\$'000)
CIAM	239,318.75	89,006.25	118,675.00	447,000.00
Ample Richness	177,000.00	—	—	177,000.00
Smart Promise	58,081.25	34,250.90	45,667.85	138,000.00
Infinite Soar	—	33,685.71	44,914.29	78,600.00
Cross Cone	—	26,228.57	34,971.43	61,200.00
Newmargin	—	25,714.29	34,285.71	60,000.00
Carbon Reserve	—	18,257.14	24,342.86	42,600.00
Season Best	—	12,857.14	17,142.86	30,000.00
Total:	<u>474,400.00</u>	<u>240,000.00</u>	<u>320,000.00</u>	<u>1,034,400.00</u>

IV. Consideration Shares:

As to HK\$136,000,000 by way of allotment and issue of the 170,000,000 Consideration Shares at the Issue Price (being HK\$0.8 per Consideration Share) by the Company (as procured by the Purchaser) to the Vendors upon Completion in the following manner:

Name of Vendor	Consideration represented by Consideration Shares to be issued (HK\$'000)	Number of Consideration Shares to be issued
CIAM	58,770.30	73,462,878
Ample Richness	23,271.46	29,089,327
Smart Promise	18,143.85	22,679,814
Infinite Soar	10,334.11	12,917,633
Cross Cone	8,046.40	10,058,005
Newmargin	7,888.63	9,860,789
Carbon Reserve	5,600.93	7,001,160
Season Best	3,944.32	4,930,394
Total:	136,000.00	170,000,000

Further details of the Promissory Notes, the Consideration Shares and the Convertible Bonds are set out in the sections headed “The Promissory Notes”, “The Consideration Shares” and “The Convertible Bonds” below.

Factors in determining the Consideration

The Consideration was arrived at after arm’s length negotiations between the Purchaser, the Company and the Vendors after taking into account, among other things:

(i) *Future Prospect*

Contracts and Projects

The Directors noted that Weldtech Group is making continuous progress in its development of EMC business. Based on due diligence information provided by the Vendors, as at the date of this announcement, the Weldtech Group currently has in total (i) 39 signed contracts which are all legally binding, including 26 EMCs and 13 buyout contracts, with expected term of contract ranging from 3.5 to 10 years; (ii) 38 contracts which are targeted to be signed¹ between now and the first half of 2014, including 31

1 Although the Weldtech Group is hopeful that these contracts will be entered into according to plan, however, as the entering into of these contracts requires the consent of the counterparties which is beyond the control of the Weldtech Group, the Company cannot guarantee that each and every of these contracts will be entered into.

EMCs and 7 buyout contracts, with expected term of contract ranging from 5 to 8 years, and; (iii) 86 potential projects under review and in the process of negotiation, including 62 EMCs and 24 buyout contracts, with expected term of contract ranging from 5 to 8 years. The above represents a significant improvement since 1 January 2011 at which point the Weldtech Group only had 5 contracts signed.

The majority of the signed contracts have been entered into with reputable conglomerates or property developers and as at the date of this announcement, 9 of them are companies listed on the Stock Exchange.

Apart from the profit made from the one-off buy out contracts, the EMCs engaged by Weldtech Group are able to generate a recurring cash flow. Upon achieving certain energy saving milestones, the provision of energy saving solutions under the EMCs also allows the Weldtech Group to receive subsidies from the PRC central government and provincial government as another income source, which provides the Weldtech Group with a more competitive advantage in growing and sustaining the business.

Strategic Partnerships

Based on due diligence information obtained from the Vendors, the Weldtech Group has entered into a strategic partnership agreement with strategic shareholders including the CITIC Group, CECEP and CCBIAM via their corresponding associated companies (the “**Strategic Partnership Agreement**”). Under the Strategic Partnership Agreement, these strategic shareholders have agreed to provide management and consultancy services to the Weldtech Group with an aim to increase the number of sales orders. The Company is optimistic that the strategic partnership will increase the number of sales of the Weldtech Group. The Company has also taken into account the following factors based on the information provided by the Vendors:

- CIAM is an associated member of the CITIC Group, a state owned enterprise in the PRC which owns a large number of properties which can be referred to the Weldtech Group as potential customers. Moreover, ITOCHU, one of the shareholders of CIAM, is one of the largest trading firms in Japan with a number of investments internationally, including that in the PRC. ITOCHU and its associated companies may also be potential customers of the Weldtech Group in the future. In November 2012, ITOCHU had signed a business promotion agreement with the Weldtech Group to introduce overseas customers to the Weldtech Group.
- CECEP is the only state owned enterprise in the PRC with a focus on environmental related investments and businesses. Its subsidiaries are assisting the PRC government to set up and monitor different environmental related policies as well as issuing different certificates in the related sector.
- China Construction Bank is the holding company of CCBIAM which owns a number of their own buildings and premises, and thus it may be a potential customer of Weldtech Group in the future.

As the Vendors will become the shareholders of the Company upon Completion, the Vendors have material interests in the Company's success in carrying out the business plan of the Weldtech Group. The Vendors have great motivation to continue to support the Company and the Weldtech Group's operation. Given that some of the Vendors are state owned enterprises, they have further incentives to follow national policies in the environmental and energy saving industry.

Track Record

The Directors noted the loss-making track record of the Weldtech Group for the two financial years ended 31 March 2012 and six months ended 30 June 2013. The Directors understand from the Vendors that the losses recorded in the relevant periods were mainly due to: (i) large fixed overhead costs, and (ii) the capital intensive EMC model adopted by the Weldtech Group. According to the management of the Weldtech Group, the profitability of the Weldtech Group is expected to be significantly improved once more projects have been completed, as the fixed overhead items may be economically shared by the increased number of projects (please refer to the paragraph headed "Track Record and Profitability" in the section headed "Reasons for and benefits of the Acquisition" below for further information).

The Company has also considered the financial projection of the Weldtech Group for the next ten years, which was internally prepared and provided by the Vendors. Based on the above, the Directors are of the view that the Weldtech Group has a positive future prospect and the current market outlook will also enable and encourage the Weldtech Group to grow steadily.

Favourable government policies

The PRC government has issued policies in support of the energy saving industry in which the Weldtech Group is engaged. Please refer to the paragraph headed "Positive industry outlook and government support" in the section headed "Reasons for and benefits of the Acquisition" below for further information.

(ii) *The Target Profit Guarantee and Promissory Notes*

The Target Profit Guarantee provided by the Vendors under the Sale and Purchase Agreement links the amount of the total Consideration payable by the Purchaser with the future profitability of the Weldtech Group. If the 2014 Actual Profit falls below the 2014 Profit Guarantee, all of the Promissory Notes B shall become null and void. If the 2015 Actual Profit falls below the 2015 Profit Guarantee, all of the Promissory Notes C shall become null and void. Since the Promissory Notes B and C form part of the Consideration, if they become null and void, the total amount of the Consideration will reduce accordingly as an earn-out mechanism of the Acquisition. Please refer to the section headed "Profit Guarantee" below for further details.

(iii) *Business Valuation*

The Company has carefully reviewed the financial information provided by the Vendors in respect of the Weldtech Group and expect the business of Weldtech Group to be valued at no less than HK\$3.2 billion.

It is one of the conditions precedent to Completion that the entire equity interest of the Weldtech Group should be appraised by an independent professional valuer to be not less than HK\$3.2 billion (please refer to paragraph (i) of the section headed “Conditions Precedent” below). The Company has appointed an independent professional valuer in this regard but as at the date of this announcement, the terms of the business valuation method and assumptions therein have not yet been finalised.

The value of HK\$3.2 billion represents:

- (i) 129.24% of the total consideration of HK\$2.47 billion under the Acquisition; and
- (ii) 114.29% of the total consideration of HK\$2.8 billion under the Previous Acquisition.

The value of HK\$3.2 billion was a result of commercial negotiation, agreed upon by the relevant parties on an arm’s length basis, and was determined by taking into account, amongst others, the future prospect of the Weldtech Group, the benefits deriving from the Strategic Partnership Agreement and the Cooperation Agreement, the provision of the Target Profit Guarantee, the terms under the Previous Sale and Purchase Agreement and the value of the entire equity interests of the Weldtech Group being approximately HK\$3.406 billion valued by the independent professional valuer engaged by the Company in the Previous Acquisition, as set out in the Appendix VI of the circular issued on 31 May 2011 in relation to the Previous Acquisition.

From the Company’s perspective, given the Weldtech Group is expected to be appraised at the value of not less than HK\$3.2 billion under both the Previous Acquisition and the Acquisition, the Consideration, which has factored in the value of the Target Profit Guarantee, and involves the compensation mechanism by linking the Promissory Notes with the Target Profit Guarantee under the Acquisition, is more favourable to the Company compared to the consideration under the Previous Acquisition.

(iv) *Industry study report*

The Company has considered a study on the industry prepared by Frost & Sullivan, a third party independent of the Company, the Vendors and their respective connected persons, which is a global market and research company, on the Chinese Chiller Plant EMC Market in order to understand in a more in-depth manner the industry environment, latest development and challenges, as well as the market position of the Weldtech Group.

Price-to-Earnings Ratio Analysis

As an illustration of what the Consideration of approximately HK\$2.47 billion represents in the context of the Acquisition, set out below are certain quantitative analysis on the Consideration:

- (a) price-to-earnings ratio at approximately 17.64 times using the average of the two years Target Profit Guarantee (i.e. HK\$140 million);

- (b) price-to-earnings ratio at approximately 20.58 times using the 2014 Profit Guarantee (i.e. HK\$120 million);
- (c) price-to-earnings ratio at approximately 15.44 times using the 2015 Profit Guarantee (i.e. HK\$160 million).

Such price-to-earnings multiples taking the average of the Target Profit Guarantee as above in (a) to (c) are closely comparable to the average price-to-earnings ratio of approximately 20.6 times for comparable companies quoted from Bloomberg as at 28 October 2013. The Company has, to the best of its effort, knowledge and endeavour, screened out a list of 20 comparable companies within the pool of stocks listed on the PRC, Hong Kong, United States, and European markets that could provide a reference to the value of the Weldtech Group. The criteria in selecting the comparable companies are based on (i) the similar business nature of the comparable companies (i.e. provision of energy saving solutions, building energy control, power automation systems, etc.), which are exposed to similar industry risks as compared to the Weldtech Group; (ii) the similar target of services provided by these companies, i.e. industrial buildings and premises of substantial energy usage; and (iii) their geographical location of the business in the PRC, which the Weldtech Group's main businesses are currently developed and operating in the PRC. Certain comparable companies outside the PRC market were also selected in order to factor in companies with similar business and type of service.

Based on all the above factors and reasons, the Directors consider the Acquisition and the Consideration is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

Factors in determining the settlement method of the Consideration

The Directors consider that the settlement of the Consideration by way of issuance of the Convertible Bonds and the Consideration Shares in addition to the cash payment, is favourable to the Group at the juncture of its development given that it enables the Group to implement the Acquisition without enduring a significant outlay of cash and could preserve its available cash for future development of its business. The combination of the issuance of the Convertible Bonds and the Consideration Shares would also reduce an immediate dilution effect from the Consideration Shares.

The Promissory Notes are put in place to tie in with the Target Profit Guarantee, which provides security and protection to the Company against the possible downfall in the profitability of the Weldtech Group. Based on the above, the Board considers that the settlement method is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

Such payment term as agreed by the parties to the Sale and Purchase Agreement is similar to a vendor financing arrangement. Without such vendor financing arrangement, the Company may not have sufficient internal resources to finance the Acquisition and may have been unable to participate in this Acquisition.

Lock-up

Each of the Vendors has undertaken and guaranteed that all of the Convertible Bonds, Promissory Notes and Consideration Shares shall not be transferred to any third party within one year from the date of issue, except for transfer of such among the Vendors.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (a) all necessary board resolutions approving the Acquisition having been obtained by each of the Vendors and the Weldtech Group;
- (b) all necessary consents and approvals in relation to the Acquisition having been obtained by the Purchaser and the Company;
- (c) the passing of resolutions by the Shareholders at the EGM approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the sale and purchase of the Sale Shares, issue of the Convertibles Bonds and the allotment and issue of the Conversion Shares and the Consideration Shares;
- (d) (if required) the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares and the Consideration Shares and the issue of the Convertible Bonds;
- (e) all warranties given by the Vendors under the Sale and Purchase Agreement remaining true, correct and not misleading in all material respects as at Completion;
- (f) all warranties given by the Purchaser and the Company under the Sale and Purchase Agreement remaining true, correct and not misleading in all material respects as at Completion;
- (g) the Purchaser having received a legal opinion issued by a PRC legal adviser appointed by the Purchaser in such form and substance to the satisfaction of the Purchaser in its absolute discretion covering matters including, among other things, (a) Haoxin being validly established, legally subsisting and not under liquidation; (b) Haoxin having obtained all necessary permits, approvals and licences for operation of its business granted by, including but not limited to, State Administration of Foreign Exchange, State Administration for Industry & Commerce and Ministry of Commerce of the PRC; (c) the legality and validity of the material contracts entered into by Haoxin; and (d) any other matters as reasonably required by the Purchaser;
- (h) the Purchaser being reasonably satisfied with the results of the due diligence review of the business, operations and financial position of the Weldtech Group pursuant to the Sale and Purchase Agreement;

- (i) the independent professional valuer appointed by the Purchaser and Vendors having issued the business valuation report (in such form and substance to the reasonable satisfaction of the Purchaser) on the Weldtech Group and its business showing the valuation of the business of the Weldtech Group at not less than HK\$3.2 billion;
- (j) the Company not having received any indication from the Stock Exchange that the transactions contemplated under the Sale and Purchase Agreement will be deemed as reverse takeover and a new listing application under the Listing Rules and the transactions contemplated under the Sale and Purchase Agreement not having been regarded by the SFC as triggering the mandatory general offer obligations under the Takeovers Code;
- (k) the listing of the Shares on the Stock Exchange not having been withdrawn and no written notice having been received by the Company from the Stock Exchange or SFC to withdraw the listing status of the Company; and
- (l) the Shares remaining listed and traded on the Stock Exchange and not being suspended for more than 15 consecutive trading days upon execution of the Sale and Purchase Agreement, save for the suspension for clearance of this announcement, the circular or other related documents in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Purchaser may waive in writing the conditions set out in sub-paragraphs (e) and (h) above. The Vendors may waive in writing the conditions set out in sub-paragraphs (f) and (l) above. Save for the above, none of the above conditions can be waived by either party under the Sale and Purchase Agreement. If any of the conditions set out above shall not have been fulfilled (or waived, as the case may be) on or before 6:00 p.m. on 30 June 2014 (or any other date as agreed in writing by the parties to the Sale and Purchase Agreement), the Sale and Purchase Agreement shall cease and determine and neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof. CIAM shall refund the entire amount of the Deposit to the Purchaser within 14 days upon the cessation of the Sale and Purchase Agreement.

The condition set out in sub-paragraph (h) was made waivable under the Sale and Purchase Agreement to provide for flexibility, and the Purchaser will have the discretion as to whether to waive such condition. As at the date of the announcement, such condition has not been waived by the Purchaser. The Directors will discharge their fiduciary duties and act in the best interests of the Group and the Shareholders as a whole when considering whether to waive the condition in sub-paragraph (h) in the future.

Covenants by the Company and the Purchaser

Each of the Company and the Purchaser has undertaken to the Vendors that during the period after the signing of the Sale and Purchase Agreement and prior to Completion, the Company and the Purchaser shall not, without obtaining the Vendors' prior written consent (provided that such consent shall not be unreasonably withheld by the Vendors) and subject to certain qualifications and exceptions, pass any board or shareholders' resolutions to perform certain actions to, amongst others, issue equity or debt securities or to perform any actions which may result in the liquidation or winding up of the Company or any of its subsidiaries.

The Company has further undertaken that, for a period of 180 days from the Completion Date, except for any transactions previously disclosed in the Company's announcements prior to the date of the Sale and Purchase Agreement, the Company will not, without the prior written consents from CIAM and Smart Promise:

- (i) allot, issue, offer to allot or issue or grant any options, rights or warrants to subscribe, offer, pledge, sell, agree to sell any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for any Shares or interests in Shares; sell any options or contracts to purchase the Shares, interests therein or securities of the Company, purchase any options or contracts to sell the Shares, interests therein or securities of the Company, grant any options, rights or warrants to purchase the Shares, interests therein or securities of the Company, lend or transfer or dispose in any form such Shares, interests therein or securities of the Company;
- (ii) enter into any swap agreement or similar agreements to transfer to another the economic risk (in whole or in part) of the ownership of the Shares; and
- (iii) announce any intention to enter into or effect any such transaction set out in paragraph (i) and (ii) above, except that the Company may place Shares to CIAM and Smart Promise, or issue Shares pursuant to the options which have been granted or may be granted under the share option scheme adopted by the Company as previously disclosed in the Company's announcements prior to the date of the Sale and Purchase Agreement.

Completion

Completion shall take place on the Completion Date, being the fifth Business Day after the fulfilment (or waiver, as the case may be) of the conditions set out above, or such other date as the Vendors and the Purchaser may agree in writing.

Upon Completion, the Weldtech Group is expected to become subsidiaries of the Company and their results, assets and liabilities are expected to be consolidated into the consolidated financial statements of the Company.

The terms of the Sale and Purchase Agreement were negotiated on an arm's length basis. The Board considers that the terms of the Sale and Purchase Agreement are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Profit Guarantee

Pursuant to the Sale and Purchase Agreement, the Vendors have irrevocably warranted and undertaken to the Purchaser that the 2014 Actual Profit shall not be less than HK\$120,000,000 (the "**2014 Profit Guarantee**") and the 2015 Actual Profit shall not be less than HK\$160,000,000 (the "**2015 Profit Guarantee**") (collectively, the "**Target Profit Guarantee**").

The Vendors shall procure the auditors, who shall be appointed by the Company, among other things, (i) to provide the audited consolidated financial statements of the Weldtech Group for the year ending 31 December 2014 on or before 31 March 2015; and (ii) provide the audited consolidated financial statements of the Weldtech Group for the year ending 31

December 2015 on or before 31 March 2016. Such audited consolidated financial statements of the Weldtech Group shall be prepared in accordance with Hong Kong Financial Reporting Standards as required under the Sale and Purchase Agreement.

Rationale and basis for determining the Target Profit Guarantee

The determination and proposal of the Target Profit Guarantee of HK\$280 million for the two years ending 2014 and 2015 was a result of commercial negotiation, agreed upon by the relevant parties on an arm's length basis having taken into account various factors, including the ongoing development and future prospects of the Weldtech Group as detailed in paragraph headed "Future Prospect" in the section headed "Factors in determining the Consideration" above. The primary function of the Target Profit Guarantee is to determine the final aggregate purchase price payable for the Acquisition. Its purpose is very similar to an "earn-out" provision. In the event that the Target Profit Guarantee is not achieved, the Company would result in paying a "reduced" purchase price.

When the parties commenced their negotiation of the Acquisition, they had considered the terms of the Previous Acquisition. There were similar profit guarantee/purchase price adjustment provisions under the Previous Acquisition. Based on the information provided by the Vendors, after the Vendors had taken into account the financial information of the Weldtech Group, they proposed and offered the Target Profit Guarantee of HK\$280 million to the Company as part of the negotiation of the Sale and Purchase Agreement. The Company had taken into account the following factors in assessing whether the Target Profit Guarantee was justified:

- (a) the price-to-earnings ratios multiple described in paragraph headed "Price-to-Earnings Ratio Analysis" in the section headed "Factors in determining the Consideration" above;
- (b) the future prospects of the Weldtech Group and the estimated revenue to be generated from the 39 signed contracts and 38 contracts expected to be signed as set out in the paragraph headed "Contracts and Projects" in the section headed "Factors in determining the Consideration" above;
- (c) the expected valuation of the entire equity interest of the Weldtech Group which amounts to not less than HK\$3.2 billion; and
- (d) some of the Vendors being state-owned enterprises in the PRC and well-recognised companies in the Hong Kong market, and the Company's view that the Vendors are credible.

Previous Profit Guarantee

The guarantee for the audited consolidated profit before tax of the Weldtech Group for the Previous Acquisition for the two years ended 31 March 2013 was HK\$230 million in aggregate. Based on the financial statements of the Weldtech Group in respect of the same period, the Weldtech Group was not able to meet the previous profit guarantee under the Previous Acquisition.

A key reason why the previous profit guarantee was not achieved was, as the Company understands and based on the information provided by the Vendors, due to a lack of funding to the Weldtech Group as a result of the termination of the Previous Acquisition. If the current Acquisition were to proceed, with funding from the Company to the Weldtech Group following the Acquisition, the Company is optimistic that the Weldtech Group will be able to roll out an increased amount of projects to generate an increased amount of revenue and the Company is hopeful that the increased revenue will overcome the past issue of the fixed overhead costs and profitability issue.

Further, with the increased number of signed contracts and customers since the Previous Acquisition, the Weldtech Group currently has a substantially broader customer base where it can more easily obtain repeat business from such customers with respect to other properties owned by such customers. The Company is of the view that, although the Weldtech Group was unable to achieve the previous profit guarantee targets, the Weldtech Group is currently in a much better position than it was two years ago.

In addition to the EMC and buyout contracts referred to in the paragraph headed “Contracts and Projects” in the section headed “Factors in determining the Consideration” above, the Company had also made reference to the memorandum of understanding for a strategic cooperation agreement between CECEP and the CITIC Group which was signed on 11 October 2012 (the “**Cooperation Agreement**”), following the energy saving and environmental protection guideline prepared by the PRC government. Under the Cooperation Agreement, CECEP and the CITIC Group may provide buildings directly or indirectly under their control to the Weldtech Group for the rolling out of their projects. In light of the above, and the fact that the Target Profit Guarantee works as a purchase price reduction mechanism, the Company is of the view that the Target Profit Guarantee is reasonable and is in the best interests of the Company and the shareholders of the Company as a whole.

Please note that the above merely represents the profit guarantee made by the Vendors which forms part of the commercial arrangement under the Sale and Purchase Agreement and does not constitute, and should not be regarded as, a forecast of the future profitability of the Weldtech Group. The Company makes no representations or guarantee of the profitability of the Weldtech Group, or at all.

TERMINATION

If, at any time prior to Completion, the Purchaser becomes aware that any of the representations or warranties made by the Vendors is untrue or the Vendors fail or is unable to perform any such obligations, the Purchaser is entitled to terminate the Sale and Purchase Agreement by written notice to the Vendors.

If, at any time prior to Completion, the Vendors become aware that any of the representations or warranties made by the Purchaser and the Company is untrue or the Purchaser or the Company fails or is unable to perform any such obligations, the Vendors are entitled to terminate the Sale and Purchase Agreement by written notice to the Purchaser.

In the event the Purchaser and the Vendors fail to agree on the form or substance of the disclosure letter within 14 days after the date of the Sale and Purchase Agreement, the Vendors or the Purchaser are entitled to terminate the Sale and Purchase Agreement by written notice to the other party.

The Deposit shall be returned to the Purchaser within 14 days after the Sale and Purchase Agreement has been terminated under any of the above circumstances.

THE PROMISSORY NOTES

Pursuant to the Sale and Purchase Agreement, the Company will issue the Promissory Notes in the aggregate principal sum of HK\$1,034,400,000 to the Vendors as part payment of the Consideration upon Completion as follows:

Name of Vendor	Promissory Note A (HK\$'000)	Promissory Note B (HK\$'000)	Promissory Note C (HK\$'000)	Total (HK\$'000)
CIAM	239,318.75	89,006.25	118,675.00	447,000.00
Ample Richness	177,000.00	—	—	177,000.00
Smart Promise	58,081.25	34,250.90	45,667.85	138,000.00
Infinite Soar	—	33,685.71	44,914.29	78,600.00
Cross Cone	—	26,228.57	34,971.43	61,200.00
Newmargin	—	25,714.29	34,285.71	60,000.00
Carbon Reserve	—	18,257.14	24,342.86	42,600.00
Season Best	—	12,857.14	17,142.86	30,000.00
Total:	<u>474,400.00</u>	<u>240,000.00</u>	<u>320,000.00</u>	<u>1,034,400.00</u>

All the Promissory Notes will be issued to the Vendors upon Completion in accordance with the Sale and Purchase Agreement. The Promissory Notes are unsecured and non-interest bearing. The Promissory Notes are freely transferrable in multiples of HK\$1,000,000 and will mature on 31 December 2018.

The Company will repay the Promissory Notes and finance its capital contribution to the Vendors either by its internal resources or other fund raising exercise such as debt financing and equity financing. As at the date of this announcement, the Company has not entered into any agreement in respect of any such fund raising exercise.

In the event that either (i) the 2014 Actual Profit is less than the 2014 Profit Guarantee (regardless of the amount of shortfall), or (ii) if the audited consolidated financial statements of the Weldtech Group for the year ending 31 December 2014 have not been provided by the Vendors in accordance with the Sale and Purchase Agreement, the full amount of the Promissory Notes B shall become null and void. For the avoidance of doubt, the full amount of the Promissory Notes B shall still become null and void even if in the event that any part of the Promissory Notes B have been transferred to any independent third party(ies) and either of the events abovementioned occur.

In the event that either (i) the 2015 Actual Profit is less than the 2015 Profit Guarantee (regardless of the amount of shortfall), or (ii) if the audited consolidated financial statements of the Weldtech Group for the year ending 31 December 2015 have not been provided by the Vendors in accordance with the Sale and Purchase Agreement, the full amount of the Promissory Notes C shall become null and void. For the avoidance of doubt, the full amount of the Promissory Notes C shall still become null and void even if in the event that any part of the Promissory Notes C have been transferred to any independent third party(ies) and either of the events abovementioned occur.

Pursuant to the Sale and Purchase Agreement, after the vendors having procured the auditors, who shall be appointed by the Company, to provide the audited consolidated financial statements of the Weldtech Group for the year ending 31 December 2014 on or before 31 March 2015 and the audited consolidated financial statements of the Weldtech Group for the year ending 31 December 2015 on or before 31 March 2016, the Company will publish an announcement before 30 April 2015 in respect of the 2014 Actual Profit and, another announcement before 30 April 2016 in respect of the 2015 Actual Profit. Except for any uncertainties arising or information to be ascertained and confirmed with the auditors in relation to the financial statements of the Weldtech Group for the respective two years, the Company would as soon as practicable, upon the receipt and confirmation of the financial statements of the Weldtech Group, announce the Actual Profit figures for the year ended 2014 and 2015, respectively, before 30 April 2015 and 30 April 2016 pursuant to the Sale and Purchase Agreement.

Auditors of the Weldtech Group shall be appointed by the Company upon Completion. The condition that the Vendors are to procure and provide the audited consolidated financial statements of the Weldtech Group for the years ending 31 December 2014 and 31 December 2015 under the Sale and Purchase Agreement was a commercially negotiated and agreed term to offer protection to the Company post-Completion. Although the Company shall be appointing the auditors of the Weldtech Group and, together with the auditors, will be primarily in charge for the preparation of the financial statements of the Weldtech Group, the Company is of the view that since the existing management of the Weldtech Group will remain largely the same after Completion, the inclusion of such condition shall ensure the smooth preparation and facilitate the provision of audited consolidated financial statements of the Weldtech Group.

The 2014 Profit Guarantee, the 2015 Profit Guarantee and the compensation mechanism as mentioned above could not be waived by the Purchaser and/or the Vendors under the Sale and Purchase Agreement. The terms of the Sale and Purchase Agreement could not be amended unless the amendment is made in writing and agreed and signed by each of the parties to the Sale and Purchase Agreement. In the event that such amendment should occur, the Company will seek the approval of the Shareholders for any such amendment if required in accordance with the Listing Rules.

For the avoidance of doubt, save for above features, all the terms under Promissory Notes A, Promissory Notes B and Promissory Notes C are substantially the same.

Based on the foregoing, the Directors are of the view that the interests of the Shareholders are protected.

THE CONSIDERATION SHARES

Pursuant to the Sale and Purchase Agreement, the Company will issue an aggregate of 170,000,000 Consideration Shares to the Vendors upon Completion as part payment of the Consideration as follows:

Name of Vendor	Consideration represented by Consideration Shares to be issued (HK\$'000)	Number of Consideration Shares to be issued
CIAM	58,770.30	73,462,878
Ample Richness	23,271.46	29,089,327
Smart Promise	18,143.85	22,679,814
Infinite Soar	10,334.11	12,917,633
Cross Cone	8,046.40	10,058,005
Newmargin	7,888.63	9,860,789
Carbon Reserve	5,600.93	7,001,160
Season Best	3,944.32	4,930,394
Total:	<u>136,000.00</u>	<u>170,000,000</u>

The aggregate 170,000,000 Consideration Shares represent (i) approximately 38.89% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 28.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 7.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares.

The Consideration Shares will be allotted and issued under the specific mandate to be granted by the Shareholders at the EGM. The Consideration Shares will rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

THE CONVERTIBLE BONDS

Pursuant to the terms of the Sale and Purchase Agreement, the Company will issue the Convertible Bonds in the following principal amounts to the Vendors as part payment of the Consideration upon Completion:

Name of Vendor	Convertible Bonds A (HK\$'000)	Convertible Bonds B (HK\$'000)	Total (HK\$'000)
CIAM	187,969.90	357,600.00	545,569.90
Ample Richness	74,431.03	141,600.00	216,031.03
Smart Promise	58,030.98	110,400.00	168,430.98
Infinite Soar	33,052.43	62,880.00	95,932.43
Cross Cone	25,735.48	48,960.00	74,695.48
Newmargin	25,230.86	48,000.00	73,230.86
Carbon Reserve	17,913.91	34,080.00	51,993.91
Season Best	12,615.42	24,000.00	36,615.42
Total:	434,980.01	827,520.00	1,262,500.01

Principal Terms of the Convertible Bonds

The terms of the Convertible Bonds have been negotiated on an arm's length basis, principal terms of which are summarised as follows:

Convertible Bonds A

Issuer: The Company

Principal Amount: HK\$434,980,010

Maturity Date: 31 December 2023 ("Maturity Date")

Unless previously redeemed or converted or purchased and cancelled, the Company shall redeem the Convertible Bonds A which remains outstanding by 4:00 p.m. on the Maturity Date at 100% of the principal amount and pay to the bondholder interest accrued thereon.

All Convertible Bonds A which are redeemed or converted, or purchased by the Company or any of its subsidiaries, will forthwith be cancelled. Certificates in respect of all Convertible Bonds A cancelled will be forwarded to or to the order of the Company and such Convertible Bonds A (and any Convertible Bonds A purchased by any subsidiary) may not be reissued or resold.

Interest: The Convertible Bonds A shall bear no interest in the first three years after the date of issue and shall bear interest thereafter at the rate of 3% per annum on the outstanding principal amount thereof.

Status of Convertible Bonds A:	The Convertible Bonds A constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and will at all times rank <i>pari passu</i> and without any preference among themselves.
Conversion Price:	HK\$0.8 per Conversion Share (subject to adjustments).
Conversion Shares:	Up to a maximum of 543,725,012 new Shares (subject to adjustments of the Conversion Price).
Transferability:	The Convertible Bonds A will be freely transferable and shall be transferable in whole or in multiples of HK\$1,000,000, provided that save with the consent of the Stock Exchange, none of the Convertible Bonds A may be transferred to a connected person.
Conversion:	Holder(s) of the Convertible Bonds A shall have the right at any time from the day immediately following the date of issue of the Convertible Bonds A to 4:00 p.m. (Hong Kong time) on 31 December 2023 to convert in whole or in part the outstanding principal amount of the Convertible Bonds A in whole or in integral multiples of HK\$1,000,000 into Conversion Shares; provided that no Convertible Bonds A may be converted, to the extent that following such exercise (a) the minimum 25% public float requirement of the Company as required under the Listing Rules cannot be satisfied; or (b) the conversion of the Convertible Bonds A would trigger a mandatory general offer for all issued shares of the Company under the Takeovers Code on the part of the bondholder and its party(ies) acting in concert.
Adjustments to Conversion Price:	The Conversion Price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidation or reclassification of Shares, capitalisation issues, rights issues and other dilutive event in such manner in accordance with the terms and conditions of the Convertible Bonds A. Each adjustment made pursuant to the adjustment event(s) would be certified by auditors of the Company, independent reputable accounting firms, merchant banks or other reputable financial institutions appointed by the Company.
Voting rights:	Holder(s) of the Convertible Bonds A shall not be entitled to attend or vote at any general meeting of the Company.

Listing: The Convertible Bonds A will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Covenants relating to conversion: Subject to certain qualifications and exceptions, save with the approval by an ordinary resolution of the bondholders of Convertible Bonds A (i.e. a resolution passed at a meeting of bondholders of Convertible Bonds A by a majority consisting of not less than half of the votes cast) (the “**Ordinary Resolution A**”), so long as any conversion right of the Convertible Bonds A remains outstanding, there will be certain limitations to the Company’s ability to, amongst others, issue Shares, modify rights attaching to the Shares with respect to voting, dividends or liquidation, and to reduce issued share capital, share premium account, contributed surplus or capital redemption reserve of the Company.

Negative Pledge: So long as any Convertible Bonds A remains outstanding, the Company will not create or permit to subsist, and will procure that no subsidiary creates or permits to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any relevant debt or any guarantee of or indemnity in respect of any relevant debt unless, at the same time or prior thereto, the Company’s obligations under the Convertible Bonds A (a) are secured equally and rateably or benefit from a guarantee or indemnity in substantially identical terms, as the case may be or, (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the bondholders shall approve by an Ordinary Resolution A.

Convertible Bonds B

Issuer: The Company

Principal Amount: HK\$827,520,000

Maturity Date: 31 December 2023

Unless previously redeemed or converted or purchased and cancelled, the Company shall redeem each Bond which remains outstanding by 4:00 p.m. on the Maturity Date at 100% of the principal amount and pay to the bondholder interest accrued thereon.

All Convertible Bonds B which are redeemed or converted, or purchased by the Company or any of its subsidiaries, will forthwith be cancelled. Certificates in respect of all Convertible Bonds B cancelled will be forwarded to or to the order of the Company and such Convertible Bond(s) B (and any Convertible Bonds B purchased by any subsidiary) may not be reissued or resold.

Interest:	The Convertible Bonds B shall bear no interest in the first three years after the date of issue and shall bear interest thereafter at the rate of 3% per annum on the outstanding principal amount thereof.
Status of Convertible Bonds B:	The Convertible Bonds B constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and will at all times rank <i>pari passu</i> and without any preference among themselves.
Conversion Price:	HK\$0.8 per Conversion Share (subject to adjustments).
Conversion Shares:	Up to a maximum of 1,034,400,000 new Shares (subject to adjustments of the Conversion Price).
Transferability:	The Convertible Bonds B will be freely transferable and shall be transferable in whole or in multiples of HK\$1,000,000, provided that save with the consent of the Stock Exchange, none of the Convertible Bonds B may be transferred to a connected person.
Conversion:	Holder(s) of the Convertible Bonds B shall have the right at any time from 1 July 2015 to 4:00 p.m. (Hong Kong time) on 31 December 2023 to convert in whole or in part the outstanding principal amount of the Convertible Bonds B in whole or integral multiples of HK\$1,000,000 into Conversion Shares; provided that no Convertible Bonds B may be converted, to the extent that following such exercise (a) the minimum 25% public float requirement of the Company as required under the Listing Rules cannot be satisfied; or (b) the conversion of the Convertible Bonds B would trigger a mandatory general offer for all issued shares of the Company under the Takeovers Code on the part of the bondholder and its party(ies) acting in concert.
Adjustments to Conversion Price:	The Conversion Price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidation of Shares, capitalisation issues, rights issues and other dilutive events in such manner in accordance with the terms and conditions of the Convertible Bonds B. Each adjustment made pursuant to the adjustment event(s) would be certified by auditors of the Company, independent reputable accounting firms, merchant banks or other reputable financial institutions appointed by the Company.
Voting rights:	Holder(s) of the Convertible Bonds B shall not be entitled to attend or vote at any general meeting of the Company.
Listing:	The Convertible Bonds B will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Covenants relating to conversion: Subject to certain qualifications and exceptions, save with the approval by an ordinary resolution of the bondholders of the Convertible Bonds B (i.e. a resolution passed at a meeting of bondholders of the Convertible Bonds B by a majority consisting of not less than half of the votes cast) (the “**Ordinary Resolution B**”), so long as any conversion right of the Convertible Bonds B remains outstanding, there will be certain limitations to the Company’s ability to, amongst others, issue Shares, modify rights attaching to the Shares with respect to voting, dividends or liquidation, and to reduce issued share capital, share premium account, contributed surplus or capital redemption reserve of the Company.

Negative Pledge: So long as any Convertible Bonds B remains outstanding, the Company will not create or permit to subsist, and will procure that no subsidiary creates or permits to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any relevant debt or any guarantee of or indemnity in respect of any relevant debt unless, at the same time or prior thereto, the Company’s obligations under the Convertible Bonds B (a) are secured equally and rateably or benefit from a guarantee or indemnity in substantially identical terms, as the case may be or, (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the bondholders shall approve by an Ordinary Resolution B.

For the avoidance of doubt, the Convertible Bonds A and Convertible Bonds B shall have the same terms of interest payment, Maturity Date and initial conversion price of HK\$0.8 per Conversion Share. The major differences between the terms of Convertible Bonds A and Convertible Bonds B are: (i) the principal amount; and (ii) the commencement date of the conversion period.

The Convertible Bonds A can be converted commencing from the date of issue at Completion while the Convertible Bonds B can only be converted commencing from 1 July 2015. The Maturity Date for both the Convertible Bonds A and Convertible Bonds B fall on the date of 31 December 2023. The different terms under the Convertible Bonds were meant to spread out the possible dilutive effect on the shareholding of the Company by phases instead of allowing the Vendors to convert the Convertible Bonds into Shares substantially at one stage. The purpose of issuing the Convertible Bonds in two tranches is also to control the conversion of the Convertible Bonds by the Vendors as per the two conversion periods mentioned above in order to protect the interests of the Company during the initial stage following Completion.

Assuming there will be no issue or repurchase of Shares from the date of this announcement, upon the exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price, the Company will allot and issue an aggregate of 1,578,125,012 Conversion Shares, representing approximately 361.04% of the issued share capital of the

Company as at the date of this announcement and approximately 72.22% of the issued share capital of the Company as enlarged by allotment and issue of the Consideration Shares and the Conversion Shares.

The Conversion Shares will be allotted and issued under the specific mandate to be granted by the Shareholders at the EGM. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the Conversion Date.

THE ISSUE PRICE AND THE CONVERSION PRICE

The Issue Price of the Consideration Shares and the Conversion Price of the Convertible Bonds are the same, being HK\$0.8 per Share. Each of the Issue Price and the Conversion Price was determined after arm's length negotiations between the Purchaser and the Vendors, with reference to the prevailing trading price of the Shares during the period of negotiations in October 2013. Each of the Issue Price and the Conversion Price represents:

- (a) a discount of approximately 11.11% to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on 31 October 2013, being the Last Trading Day;
- (b) a discount of approximately 5.21% to the average closing price of HK\$0.844 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including Last Trading Day;
- (c) a discount of approximately 5.77% to the average closing price of HK\$0.849 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including Last Trading Day; and
- (d) a discount of approximately 13.04% over the unaudited consolidated net assets attributable to equity holders of the Company of approximately HK\$0.92 per Share as at 30 June 2013, based on the unaudited consolidated net assets according to the Company's interim report for the six months ended 30 June 2013 and the number of issued Shares as at the date of the interim report.

REFERRAL AGREEMENT

Date

31 October 2013

Parties

1. Majestic View Holdings Limited, a wholly-owned subsidiary of the Company;
2. Referral Agent

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Referral Agent and its ultimate beneficial owner are (i) third parties independent of and not connected with the Company and its connected persons and (ii) third parties independent of and not connected with the Vendors.

The Referral Agent is principally engaged in investment holding and the provision of consultancy services. The Referral Agent have not had any previous transactions with the Company.

Referral Services

Pursuant to the Referral Agreement, Majestic View has agreed to engage the Referral Agent as the referral agent to provide all relevant information in relation to the Acquisition, Weldtech Technology and its subsidiaries, and the Referral Agent will be responsible for facilitation, coordination and negotiation of the terms and details of the re-launched Acquisition and procure Completion on reasonable terms within the period of the Referral Agreement, being one year from the signing of the Referral Agreement. The Referral Agent will also liaise and coordinate with the relevant parties in relation to the Acquisition upon reasonable request by Majestic View.

The reason for entering into the Referral Agreement is to provide a bridge of communication between the Vendors, which are different compared to the Previous Acquisition, and the Company. As the Referral Agent has an extensive network, an in-depth understanding of the industry and possesses knowledge relating to the Weldtech Group, the Company believes that it could rely on the assistance of the Referral Agent on liaison with the relevant parties in respect of the Acquisition of the Weldtech Group, and further assessments of the Acquisition. Owing to the connection established by the Referral Agent and the Vendors, the Company managed to arrive at the agreed terms for the Acquisition and, the Company believes, at more favourable terms when compared with the Previous Acquisition. The Company sees value in the role of and services provided by the Referral Agent and on such basis it believes that it is in the Company's overall interest to engage the Referral Agent.

Referral Fee

In consideration of the above referral services, Majestic View has agreed to pay a fee at the rate of 3.5% of the Consideration (being HK\$2,476,000,010), amounting to HK\$86,660,000. Such referral fee will be payable by Majestic View after Completion. If the Acquisition is not completed within one year from the signing of the Referral Agreement, Majestic View will not be required to pay any referral fee to the Referral Agent.

The amount of referral fee was determined under arm's length negotiations between the Referral Agent and Majestic View. In view of the business opportunity and growth prospects of the business of the Weldtech Group, the parties to the Referral Agreement, after arm's length negotiations, have mutually arrived at the referral fee.

The Directors considered the terms of the Referral Agreement are fair and reasonable as the aggregate value of the Consideration and the referral fee represent a discount of approximately 19.92% to the expected valuation of the entire equity interest of the Weldtech Group which amounts to not less than HK\$3.2 billion as mentioned above, and considered that the benefits of the Acquisition to the Group outweigh the costs associated with such Acquisition in view of the business opportunity and growth prospects of the Weldtech Group. The Company intends to fund the payments of the referral fee by internal resources.

APPLICATION FOR LISTING

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued upon Completion and the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and will accordingly be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons; and (ii) each of the Vendors, its ultimate beneficial owners and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. If the Vendors and their respective associates hold any Shares on the date of the EGM, they will be required to abstain from voting on the relevant resolutions to be proposed at the EGM in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

EFFECT ON THE SHAREHOLDING STRUCTURE

As at the date of this announcement, there are outstanding (i) 90 CB options to subscribe for Possible Convertible Bonds in the aggregate principal amount of HK\$14,094,000, which are convertible into 78,300,000 Shares; (ii) Possible Convertible Bonds in the aggregate principal amount of HK\$1,566,000 as a result of the 10 exercised options out of the CB Options, which are convertible into 8,700,000 Shares; (iii) convertible bonds in the aggregate principal amount of HK\$60,750,000 to be issued assuming completion of the placing of such convertible bonds under specific mandate, which upon full conversion are convertible into 450,000,000 Shares; and (iv) 3,682,224 share options granted under the share option scheme of the Company to subscribe for 13,488,000 Shares (collectively, the "**Outstanding Convertible Securities**").

References are made to the announcements of the Company in relation to (i) the placing of the CB Options to subscribe for the possible convertible bonds (the "**Possible Convertible Bonds**") dated 24 July 2012 and (ii) the completion of (i) abovementioned dated 8 October 2012. The initial conversion price of the Possible Convertible Bonds is HK\$0.18 per Share.

Upon the issue of the Consideration Shares and the Convertible Bonds under the Sale and Purchase Agreement, the subscription price of the CB options will not be affected and will remain at the subscription price of HK\$156,000 for each of the remaining 90 CB Options to subscribe for the Possible Convertible Bonds. The initial conversion price for the Possible Convertible Bonds is HK\$0.18, and is subject to adjustments at the time when the Consideration Shares and the Convertible Bonds are issued, which shall be determined by an independent accountant pursuant to the instruments of the CB Options and the Possible Convertible Bonds.

The number of conversion shares to be issued under the Possible Convertible Bonds may exceed the limit under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 June 2012 (“**Excess Conversion Shares**”). With respect to the possible Excess Conversion Shares, the Company would seek Shareholders’ approval by way of application of specific mandate for the Excess Conversion Shares; and if Shareholders’ approval could not be obtained, the Company would consider cash settlement for the Excess Conversion Shares.

Reference is made to the circular of the Company dated 21 October 2013 and the announcement of the Company dated 5 November 2013 in relation to the poll results of the extraordinary general meeting of the Company to approve the placing of the Outstanding CB in the principal amount of up to an aggregate of HK\$60,750,000 on a best-effort basis at the conversion price of HK\$0.135 per conversion share. Pursuant to the placing agreement in relation to the placing of the Outstanding CB, the placing period is the period of three months commencing from the Business Day immediately after such extraordinary general meeting. As at the date of this announcement, the placing of the Outstanding CB has not yet been completed, and completion of such placement is expected to take place on or before the expiry of the abovementioned placing period and upon the completion of procurement of places by the placing agent.

The following chart depicts, assuming there being no issue (other than the Consideration Shares and the Conversion Shares) or repurchase of Shares from the date of this announcement, the shareholding structure of the Company (I) as at the date of this announcement; (II) (i) immediately after Completion (issuance of the Consideration Shares and the Convertible Bonds), (ii) before the exercise of the conversion rights attaching to the Convertible Bonds and (iii) before the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company; (III) (i) immediately after Completion (issuance of the Consideration Shares and the Convertible Bonds), (ii) after the exercise of the conversion rights attaching to the Convertible Bonds and (iii) before the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company; and (IV) (i) immediately after Completion (issuance of the Consideration Shares and the Convertible Bonds), (ii) after the exercise of the conversion rights attaching to the Convertible Bonds and (iii) after the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structures of the Company:

	(I) As at the date of this announcement		(II) (i) Immediately after Completion (issuance of the Consideration Shares and the Convertible Bonds), (ii) before the exercise of the conversion rights attaching to the Convertible Bonds and (iii) before the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company		(III) (i) Immediately after Completion (issuance of the Consideration Shares and the Convertible Bonds), (ii) after the exercise of the conversion rights attaching to the Convertible Bonds and (iii) before the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company (Note 1)		(IV) (i) Immediately after Completion (issuance of the Consideration Shares and the Convertible Bonds), (ii) after the exercise of the conversion rights attaching to the Convertible Bonds and (iii) after the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company (Note 1)	
	No. of Shares	approx. %	No. of Shares	approx. %	No. of Shares	approx. %	No. of Shares	approx. %
Vendors:								
CIAM	—	—	73,462,878	12.10%	755,425,251	34.57%	755,425,251	27.61%
Ample Richness	—	—	29,089,327	4.79%	299,128,115	13.69%	299,128,115	10.93%
Smart Promise	—	—	22,679,814	3.74%	233,218,539	10.67%	233,218,539	8.52%
Infinite Soar	—	—	12,917,633	2.13%	132,833,171	6.08%	132,833,171	4.86%
Cross Cone	—	—	10,058,005	1.66%	103,427,355	4.73%	103,427,355	3.78%
Newmargin	—	—	9,860,789	1.62%	101,399,364	4.64%	101,399,364	3.71%
Carbon Reserve	—	—	7,001,160	1.15%	71,993,548	3.29%	71,993,548	2.63%
Season Best	—	—	4,930,394	0.81%	50,699,669	2.33%	50,699,669	1.86%
Sub-total of Vendors:	—	—	170,000,000	28.00%	1,748,125,012	80.00%	1,748,125,012	63.90%
Existing Shareholders								
Holder(s) of 90 of the CB Options (Note 2)	—	—	—	—	—	—	78,300,000	2.86%
Holder(s) of 10 of the exercised CB Options (Note 2)	—	—	—	—	—	—	8,700,000	0.32%
Holder(s) of the share options (Note 3)	—	—	—	—	—	—	13,488,000	0.49%
Holder(s) of the Outstanding CB (Note 4)	—	—	—	—	—	—	450,000,000	16.45%
Existing Shareholders	437,105,466	100.00%	437,105,466	72.00%	437,105,466	20.00%	437,105,466	15.98%
Total	437,105,466	100.00%	607,105,466	100.00%	2,185,230,478	100.00%	2,735,718,478	100.00%

Notes:

- The shareholding structure set out in this column is shown for illustration purpose only. Pursuant to the conversion restrictions under the terms and conditions of the Convertible Bonds, no conversion right may be exercised to the extent that following such exercise (a) the minimum 25% public float requirement of the Company as required under the Listing Rules cannot be satisfied; or (b) a holder of the Convertible Bonds and parties acting in concert with it would be required to make a mandatory general offer for all issued shares of the Company under the Takeovers Code. Pursuant to the instrument of the Convertible Bonds, fraction of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof.
- References are made to the announcements of the Company dated 24 July 2012 and 8 October 2012, the Company and the relevant placing agent entered into the second placing agreement in relation to the placing of the CB Options. As at the date of this announcement, 10 of the CB Options have been

exercised to subscribe for Possible Convertible Bonds in the principal amount of HK\$1,566,000 and 90 of the remaining CB Options are convertible into Possible Convertible Bonds in the principal amount of HK\$14,094,000, collectively, upon full conversion, the Possible Convertible Bonds in the principal amount of up to HK\$15,660,000 are convertible in to 87,000,000 new Shares.

- (3) The share options refer to the outstanding share options under a share option scheme of the Company approved on 22 May 2008.
- (4) References are made to the announcements of the Company dated 28 February 2013, 15 March 2013, 22 August 2013 and 16 October 2013, and the circular of the Company dated 21 October 2013, the Company and the relevant placing agent entered into the placing agreements in relation to the placing of convertible bonds under specific mandate (“**Outstanding CB**”). Assuming completion of the placing of the Outstanding CB, the holders of the such convertible bonds are entitled to convert such convertible bonds into a maximum of 450,000,000 Shares at the conversion price of HK\$0.135.

INFORMATION ON THE WELDTECH GROUP

Set out below is the background information of the Weldtech Group according to the Vendors:

Background information

Weldtech Technology

Weldtech Technology Co. Limited is a company incorporated in Hong Kong with limited liability on 15 September 2004, of which 1,724 shares are issued and fully paid as at the date of this announcement. It is the holding company of the entire equity interest in Haoxin.

Haoxin

Haoxin was established in the PRC with limited liability on 17 December 2007 with a term of operation for 20 years. The total investment amount of Haoxin is US\$21,230,000. As at the date of this announcement, its registered capital is US\$8,880,000 which has been paid up as at the date of this announcement and was contributed by Weldtech Technology.

According to the business licence of Haoxin, the business scope of Haoxin includes, among others, development, consultation and proprietary technology transfer of energy and energy-saving technologies; energy performance contracting; design and development of computer softwares, automatic control system, intelligent products on building energy consumption monitoring and proprietary products transfer and related supporting services; wholesale and import and export of mechanical and electrical products as well as “heating ventilation and air-conditioning” (“**HVAC**”) equipment. According to the Vendors, Haoxin is principally engaged in providing energy monitoring and energy saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption, and to enhance overall energy efficiency of central air-conditioning system via its proprietary UPPC System and other components.

Haoxin is currently actively developing new technology based on the UPPC System so as to broaden the scope of building energy solution saving, such as the HVAC airside control optimisation, building automation system, real-time system fault detection and more advanced optimisation algorithm.

Business model of the Weldtech Group

The Weldtech Group's customers are primarily (i) industrial building owners, including semiconductor, chemical fiber, batteries manufacturers, and office equipment sector; and (ii) commercial property owners, including shopping malls, office buildings, hotels and government buildings.

The Weldtech Group provides UPPC Systems to its customers in models of (i) buyout; and (ii) "energy management contracts", commonly known as "**EMC**" in the energy saving industry by sharing of energy savings with the client.

By a buyout sale, the Weldtech Group sells a UPPC System to its customers for a payment which varies with the scale of the projects, the payment schedule of which is based on the project milestones. The average gross profit margin is approximately 56%.

Under a sharing of energy savings EMC, the Weldtech Group will deliver the UPPC System to its customers and bear all costs such as design, procurement and installation of its proprietary UPPC System as well as maintenance costs over the contract period. In return, the Weldtech Group will share a pre-determined percentage of the electricity expenses of the customers saved after the adoption of the UPPC System. The Weldtech Group usually shares 80% to 90% of the energy saving with clients for the first to third year followed by 60% during the next 3 to 7 years. The EMC agreement will lock-up for a period of time, normally about 5 to 10 years and has an investment payback period of about 1 to 2 years. Upon the expiry of such EMC agreement, the legal title of the UPPC System will be transferred to the customers. The gross profit margin of the EMC model is approximately 50%.

The UPPC System

The ultra performance plant controller system (the "**UPPC System**") is a universally applicable control system designed to optimise energy use of chiller plants, including primary water systems, secondary water systems, constant speed and variable speed chillers. The UPPC System acts like a brain for these components of a cooling plant to co-ordinate their performance and ultimately achieves energy saving result. It utilises model-based supervisory control over all cooling plant units instead of separate, loop-based passive control used in traditional cooling plants in the market.

The UPPC System is an integration of both hardware and software. In terms of the hardware, the UPPC System includes computer systems, industrial programmable logic controllers, control panels, different type of sensors and actuators. Regarding the software, the UPPC System is a computer program developed on the basis of seven patents owned by Haoxin as further described below.

As at the date of this announcement, the Weldtech Group is the owner of the following patents:

No. Patents	Patent number	Patent owner	Approval date
1 中央空調製冷系統的冷卻塔能耗控制裝置 Central air conditioning cooling tower energy use control device	ZL 2008 20153157.8	Haoxin	30 September 2009
2 中央空調製冷系統的冷水機組能耗控制裝置 Central air conditioning chiller energy use control device	ZL 2008 20153155.9	Haoxin	30 September 2009
3 中央空調製冷系統的冷卻塔工況模型建立裝置 Central air conditioning cooling tower performance modeling device	ZL 2008 20153153.X	Haoxin	30 September 2009
4 中央空調製冷系統的冷卻水泵能耗控制裝置 Central air conditioning condenser water pumps energy use control device	ZL 2008 20153154.4	Haoxin	30 September 2009
5 中央空調製冷系統的冷凍水泵能耗控制裝置 Central air conditioning chilled water pump energy use control device	ZL 2008 20153156.3	Haoxin	30 September 2009
6 一種冷凍機房節能優化控制系統 A refrigerator room energy optimisation control system	ZL 2010 20558735.3	Haoxin	24 August 2011
7 一種冷凍機房節能優化控制系統及方法 A refrigerator room energy optimisation control system and method	ZL 2010 10505142.5	Haoxin	5 December 2012

In 2011, Haoxin was recognised by, among others, 上海市合同能源管理指導委員會辦公室 (Shanghai Energy Management Contract Steering Committee Office) as “energy saving service company”.

Financial information for the Weldtech Group

Set out below is the financial information of the Weldtech Group extracted from the audited consolidated accounts of Weldtech Technology for the years ended 31 March 2010, 2011 and 2012, respectively, and the unaudited consolidated management accounts for the nine months ended 31 December 2012 and six months ended 30 June 2013 which were all prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 March 2010 <i>HK\$</i> (audited) (approximately)	For the year ended 31 March 2011 <i>HK\$</i> (audited) (approximately)	For the year ended 31 March 2012 <i>HK\$</i> (audited) (approximately)	For the period from 1 April 2012 to 31 December 2012 <i>HK\$</i> (unaudited) (approximately)	For the period from 1 January 2013 to 30 June 2013 <i>HK\$</i> (unaudited) (approximately)
Revenue	136,000	1,791,008	29,691,142	18,788,000	17,350,000
Profit/(loss) before tax	575,000	(9,736,723)	(24,796,068)	(26,491,000)	(7,759,000)
Profit/(loss) after tax	575,000	(9,736,723)	(24,796,068)	(26,491,000)	(7,759,000)
Net assets/(liabilities)	956,000	(2,069,095)	(27,388,751)	(23,010,000)	(29,896,000)
Total assets	3,724,000	13,874,133	45,108,935	75,625,000	64,108,000

As at the date of this announcement, there is no outstanding shareholders' loan owed by the Weldtech Group.

Set out below is the financial information of Haoxin for the years ended 31 December 2011 and 2012 which was extracted from the statutory audited accounts of Haoxin prepared in accordance with PRC Accounting Standards:

	For the year ended 31 December 2011 <i>(RMB'000)</i> Audited	For the year ended 31 December 2012 <i>(RMB'000)</i> Audited
Net asset/(liabilities) value	(10,645)	36,048
Net loss before taxation	(12,957)	(13,565)
Net loss after taxation	(12,957)	(13,565)

Please note that the year-end date of Weldtech Technology was changed from 31 March to 31 December upon the approval of the board of directors of Weldtech Technology on 13 August 2013.

Directors, senior management and expert advisory board of the Weldtech Group

As at the date of this announcement, the board of directors of Weldtech Technology consists of six directors, namely:

- (i) Mr. Lo, Wing Yat (盧永逸) (“**Mr. Lo**”) (appointed on 4 September 2012)
- (ii) Mr. Cheng, Lut Tim (鄭聿恬) (“**Mr. Cheng**”) (appointed on 21 July 2010)
- (iii) Mr. Chan, Chein Kwong (陳俊強) (“**Mr. Chan**”) (appointed on 13 August 2013)
- (iv) Mr. Tang, Jie (湯杰) (“**Mr. Tang**”) (appointed on 13 August 2013)
- (v) Dr. Li, Ai Guo (李愛國博士) (“**Dr. Li**”) (appointed on 19 September 2013)
- (vi) Mr. Ma, Huan (馬歡) (“**Mr. Ma**”) (appointed on 25 November 2010)

Please see below for the summary profile of the directors of Weldtech Technology.

Mr. Lo, Mr. Cheng and Mr. Ma are also the three directors of Haoxin.

The Weldtech Group’s senior management team includes:

- (i) Mr. Lo, Chief Executive Officer
- (ii) Dr. Li, Chief Technology Officer
- (iii) Dr. Chen, Guo Jin, Head of Engineering (陳國金博士) (“**Dr. Chen**”)
- (iv) Mr. Cai, Wen Wei, Financial Controller (蔡文為) (“**Mr. Cai**”)
- (v) Mr. Wong Wai Yin, Senior Technology Consultant (黃偉賢) (“**Mr. Wong**”)

Mr. Lo, Dr. Li, Dr. Chen and Mr. Cai are also part of Haoxin’s management team.

Please see below for the summary profile of the senior management of Weldtech Technology.

The composition of the Weldtech Group’s board of directors and the senior management is a well-balanced combination of individuals offering a wide range of skills and values to the Weldtech Group.

There are experienced management professionals (namely, Mr. Lo and Mr. Cheng) to monitor the overall operation of the Weldtech Group. In particular, Mr. Cheng has been a director of the Weldtech Group since 2010 and focuses on the strategic planning and marketing aspects of the Weldtech Group.

Mr. Ma has been a director of Weldtech Technology since November 2010 and is also involved in the marketing sector of the Weldtech Group.

Mr. Tang, a director appointed by CECEP, provides latest intelligence in relation to the environmental field to the management.

There are two doctors (namely, Dr. Li and Dr. Chen) who are responsible for the Weldtech Group's technology development.

Moreover, the Weldtech Group has engaged Mr. Wong (who is one of the three co-founders of the Weldtech Group, and he is also one of the three registered inventors of five out of seven patents for the UPPC System) as the Senior Technology Consultant to ensure that the know-how of the UPPC System is retained within the Weldtech Group.

There are also professional certified public accountants (namely, Mr. Chan and Mr. Cai) who have an oversight over the Weldtech Group's accounts and to handle accounting related matters. Mr. Cai has been with the Weldtech Group since July 2011.

The Weldtech Group benefits from the new orders referred by the shareholders through the corresponding directors appointed by the shareholders.

In addition to the abovementioned directors and senior management, the Weldtech Group has also formed an expert advisory board (all members of which are reputable and influential individuals in the PRC) to provide advice and insight as well as other resources such as, network development, potential new orders, technical expertise and marketing strategy to the Weldtech Group. The composition of the expert advisory board is as follows:

- (i) Dr. Gao, Shang Quan (高尚全教授) (“**Dr. Gao**”)
- (ii) Mr. Zheng, Xin Li (鄭新立) (“**Mr. Zheng**”)
- (iii) Mr. Dou, Jian Zhong (竇建中) (“**Mr. Dou**”)
- (iv) Mr. Feng, Tao (馮濤) (“**Mr. Feng**”)
- (v) Dr. Long, Wei Ding (龍惟定教授) (“**Dr. Long**”)

Please see below for the summary profile of the members of the expert advisory board of Weldtech Technology.

Considering the background and experience of the Weldtech Group's directors, senior management and consultants, the Company is confident that they have the sufficient experience and knowledge to operate and manage the business of the Weldtech Group.

Summary profile of the directors of Weldtech Technology

Mr. Lo is the director and chief executive officer of CITIC International Assets Management Ltd. He has worked in the Bank of China HK-Macau Regional Office as an in-house counsel and was previously a partner of Messrs Linklaters.

Mr. Cheng obtained a bachelor's degree in international relations. He is the executive director of China Finance Fund. He was the assistant researcher, vice president of Bank of China Trust Company, vice president of Shenzhen Travel Service Co., Ltd., and a director of Shanghai Yongsheng Co. Ltd.

Mr. Chan has gained diversified industry and professional experience from Deloitte Touche, HongKong Land, and ABN AMRO's private equity and investment banking business. He is an associated member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

Mr. Tang is currently a director of Business Development Department of CECEP (Hong Kong) Investment Company Ltd., and director for Carbon Reserve Investment Ltd., responsible for business development of CECEP in Hong Kong. He has around 8 years of relevant experience in business development and management.

Dr. Li was admitted to the Harbin Institute of Technology in 1996, and completed his bachelor's degree, master's degree and Ph.D. in heating, gas supply, ventilating and air conditioning engineering, and Applied Computer Science, in 2000, 2003, 2007 respectively. He had obtained six Chinese software copyrights, five applications for invention patents, which included 3 articles in the Science Citation Index and 11 articles in the Engineering Index.

Mr. Ma has over 15 years of investment experience in venture capital and private equity. He has been working for NM PRC for over 13 years. He has gained extensive investment experience in multiple sectors, including healthcare, manufacturing, mining, services and clean technology.

Summary profile of the senior management of Weldtech Technology

Dr. Chen (Head of Engineering) was previously a senior engineer at ABB China Company Limited and had obtained a Ph. D. from Zhejiang University in system automation.

Mr. Cai (Financial Controller) graduated from the Shanghai University International Business School with a bachelor's degree in international finance. He joined the Weldtech Group in July 2011, and prior to that, he had worked at the audit department of Ernst & Young, and as a senior audit manager at KPMG. He has accumulated approximately 16 years of relevant experience in the field.

Mr. Wong (Senior Technology Consultant) had obtained a bachelor's degree in mathematics from the University of Waterloo, Canada. He holds the Hong Kong Management Association Site Management Certificate. He is one of the co-founders of the Weldtech Group and a director of CS Chemical Co., Ltd. He is also one of the inventors of the UPPC System.

Summary profile of the members of the Expert Advisory Board of Weldtech Technology

Dr. Gao graduated from St. John University of Shanghai. He is one of China's most prominent economists, and a key member of the economic reform think-tank in China. He was the chairman of China Entrepreneur Reform and Development Society, a member of the Development Policy Committee of the United Nation. Dr. Gao is also a professor and Ph.D. supervisor at Beijing University and Shanghai Jiao Tong University. He is a member of the National Committee of Chinese People's Political Consultative Conference. He is the Honorary Chairman of the China Reform Foundation and Honorary President of China Society of Economic Reform.

Mr. Zheng had obtained a master's degree in economics from Journal of Graduate School of Chinese Academy of Social Sciences. He is a professor, Deputy Director of the Policy Research Office of the CPC Central Committee, and senior consultant of the China Minsheng Academy, principally engaged in the research of policy and theory of macroeconomics. He was appointed as the executive vice president of the China Center for International Economic Exchanges (CCIEE), the Deputy Chief Economist at the State Information Center, and a director at the Policy Research Centre of the State Development Planning Commission Minister, served as director of the Policy Research Center, deputy secretary-general and spokesman of the State Development Planning Commission. He has participated in the CPC Central Committee Plenum, "Report on the Work of the Government" and the drafting of the "Eighth Five-Year Plan", "Ninth Five-Year Plan", "Tenth Five-Year Plan" and "Eleventh Five-Year Plan".

Mr. Dou graduated from the University of International Business and Economics, Beijing in 1979 and obtained a master's degree in economics from Liao Ning University. He has extensive experience in the banking and finance industry, and was granted the prestigious title of "Senior Economist" by the CITIC Group. He is the executive director of CITIC Group and, executive director and chief executive officer of CITIC International Financial Holdings Limited. He is the former chairman of CITIC Bank International Limited (now known as China CITIC Bank International Limited).

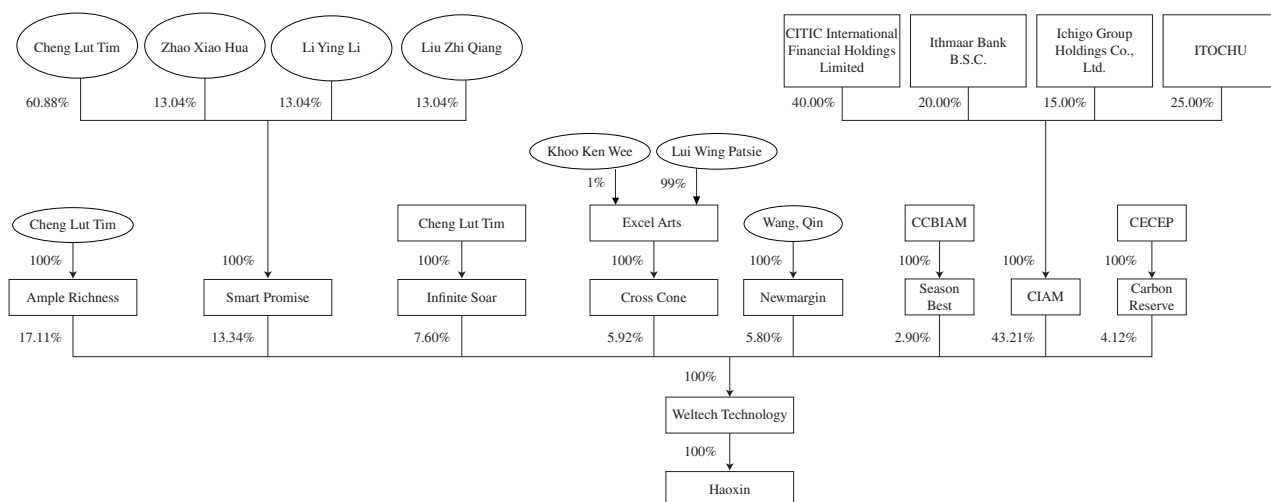
Mr. Feng obtained a master's degree in science from the department of statistics and applied probability of University of Alberta in June 1992. He is the chief executive officer of NM PRC. As one of pioneers of venture-capital of China, Mr. Feng possesses extensive experience and knowledge of both domestic and overseas markets and was awarded the title of "Top 10 most influential venture capitalists in China" in the "Asia-Pacific Venture Capitalist Summit and Most Influential Venture Capitalists in China Award Ceremony" in April 2005.

Dr. Long graduated from Tsinghua University in Beijing in 1970 specialising in HVAC systems. He had served as an executive director of China Association of Refrigeration since January 2000 and was a committee member of the 8th World Indoor Environment Technology Conference (CLIMA 2000) Scientific Committee in 2000. He is also a member of the China Refrigeration and Air Conditioning Institute of Professional Committee, a member of the China Energy Association Ice Storage Air Conditioning Research Center, a member of the construction Ministry building intelligent systems expert committee and a member of the Shanghai Architectural Society. He holds the positions of director of Shanghai Institute of Refrigeration, vice chairman of the Air Conditioning Professional Committee and chairman of the HVAC academic committee.

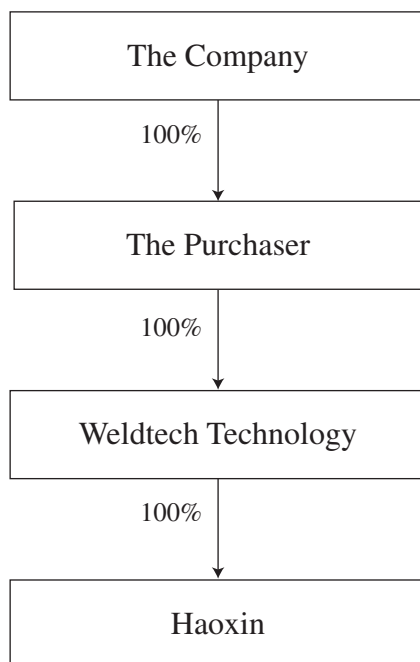
SHAREHOLDING STRUCTURE OF THE WELDTECH GROUP

Set out below is the shareholding structure of the Weldtech Group (i) as at the date of this announcement; and (ii) immediately after Completion:

(i) As at the date of this announcement



(ii) Immediately after Completion



INFORMATION OF THE VENDORS

Set out below is the information about the background of each of the Vendors and its ultimate shareholder(s) according to the Vendors:

CIAM

CITIC International Assets Management Limited, a company incorporated in Hong Kong is 40% owned by CITIC International Financial Holdings Limited, 15% owned by Ichigo Group Holdings Co., Ltd, 20% owned by Ithmaar Bank B.S.C., and 25% owned by ITOCHU. CITIC International Financial Holdings Limited owned as to approximately 70.32% by China CITIC Bank Corporation Limited, which in turn is owned as to approximately 66.95% by CITIC Group.

Based on the information provided by the Vendors, CIAM decided to invest in the Weldtech Group in August 2012, with an intention to leverage the network and resources from the CITIC Group and CECEP in order to further integrate and implement cooperation opportunities in energy conservation and related sectors. In August 2012, CIAM subscribed for 295 new shares in Weldtech Technology and acquired 68 existing shares in Weldtech Technology from the Founders. In October 2012, CIAM further purchased 79 shares from CECEP. As a result of these three share acquisitions, CIAM became the holder of 25.6% shareholding interest in the Weldtech Group.

In July 2013, in accordance with the investment agreement signed between CIAM and the Weldtech Group, the Weldtech Group was required to issue new shares to CIAM to compensate CIAM if the Weldtech Group was not able to meet the agreed project target in the period from 1 April 2012 to 31 March 2013 (the “**Period**”). Given that the Weldtech Group recorded a loss during the Period, CIAM was entitled to subscribe for new shares of Weldtech Technology of up to approximately 99%. As a result of this entitlement, in July 2013, CIAM reached an agreement with the Founders to acquire their entire shareholding in Weldtech Technology (i.e. 702 shares), from SV Technology, Grandcom Int’l., RMB Investment, G&W Talent and Superb Market Development (all such were either directly or indirectly owned by the Founders and their associates). Such acquisition was completed in July 2013 and, immediately after such acquisition, CIAM held a 66.4% shareholding interest in the Weldtech Group.

In October 2013, CIAM signed and completed three sale and purchase agreements pursuant to which CIAM agreed to sell 52 shares in Weldtech Technology each to two existing shareholders (namely, Infinite Soar and Cross Cone) and to sell 295 shares in Weldtech Technology to Ample Richness for Mr. Cheng’s past contribution as well as his future effort to the Weldtech Group. After such share sales, CIAM held an approximately 43.2% shareholding interest in Weldtech Technology.

Ample Richness

Ample Richness Investments Limited, a company incorporated in BVI with limited liability is wholly-owned by Mr. Cheng. Ample Richness is an investment holding company.

Mr. Cheng obtained a bachelor's degree in international relations. He is the executive director of China Finance Fund. He was the assistant researcher, vice president of Bank of China Trust Company, vice president of Shenzhen Travel Service Co., Ltd., and a director of Shanghai Yongsheng Co. Ltd.

Smart Promise

Smart Promise Limited, a company incorporated in Hong Kong, is owned as to approximately 60.88%, 13.04%, 13.04% and 13.04% by Mr. Cheng, Ms. Zhao Xiao Hua, Ms. Li Ying Li and Mr. Liu Zhi Qiang respectively. Smart Promise is an investment holding company.

Mr. Liu Zhi Qiang obtained a bachelor's degree in business administration in Beijing University of Aviation and Aerospace. He is (i) a director and general manager of Beijing Venture Capital Co., Ltd; (ii) an executive director of China Packaging Group Company Limited; (iii) the chief representative of Sakura Bank Beijing Branch; and (iv) the vice general manager of the department of finance and planning of China Everbright International Investment Co., Ltd.

Ms. Zhao Xiao Hua graduated from Beijing Medical School Public Administration College. She studied in the University of California in 1986, and graduated from Tsinghua University. She was appointed as director of internal administration and assistant to president to China Finance Fund.

Ms. Li Ying Li was the deputy director of the research department of State Development & Investment Corporation focusing on the research of national energy saving development, as well as environmental conservation industries. She is at present a consultant of China Gas Holdings Limited, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 0384).

Infinite Soar

Infinite Soar Limited, a company incorporated in BVI is wholly owned by Mr. Cheng. Infinite Soar is an investment holding company.

Cross Cone

Cross Cone Holdings Limited, a company incorporated in BVI and is wholly-owned by Excel Arts Limited, a company incorporated in BVI, which is owned as to 1% by Mr. Khoo Ken Wee and approximately 99% by Ms. Lui Wing Patsie. Ms. Lui Wing Patsie, aged 47, she obtained the bachelor's degree of science accounting from University of Southern California in 1989. Ms. Lui is an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Lui first served as tax accountant of Ernst & Young for the period 1990 to 1991, and an audit accountant of PricewaterhouseCoopers Hong Kong from 1991 to 1995. Afterwards, Ms. Lui was a compliance manager of Hong Kong Futures Exchange

Limited from 1995 to 1999. Ms. Lui then joined the Mandatory Provident Fund Schemes Authority and served as a supervision manager from 1999 to 2001. Ms. Lui is the sole owner of MPR HK Limited which produces multimedia print reading for education development in Hong Kong.

Newmargin

Newmargin Partners Ltd., a company incorporated in BVI with limited liability. It is wholly owned by Mr. Wang, Qin. Newmargin is an investment holding company. Its associate in the PRC is NM PRC. NM PRC is a leading venture capital in the PRC. NM PRC was regarded as “The Most Successful Venture Investors of Asia” in the 2001 Asian Venture Forum and selected as the only venture capital firm of the PRC with the shortest and youngest establishment.

Carbon Reserve

Carbon Reserve Investments Limited, a company incorporated in Hong Kong, is a wholly owned subsidiary of China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Ltd. (“**CECEP HK**”) and is an investment holding company. According to the Vendors, CECEP HK is the official window company of China Energy Conservation and Environmental Protection Group (“**CECEP**”) in Hong Kong, a central government-owned enterprise in the PRC. CECEP is the exclusive company designated by the PRC government for implementation of energy saving policy and standards in the PRC. CECEP, commencing from May 2010, was reorganised under the guidance of the State-owned Assets Supervision and Administration Commission and renamed as “China Energy Conservation and Environmental Protection Group”.

Season Best

Season Best Investments Limited, a company incorporated in BVI, is a wholly owned subsidiary of CCB International Asset Management Limited (“**CCBIAM**”). Season Best is an investment holding company.

CCBIAM has investments including, without limitation, pre-IPO projects in the PRC and Hong Kong, as well as Hong Kong listed companies.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of the Vendors together with their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

According to the information provided by the Vendors, Mr. Cheng is the same individual who has statutory control over Ample Richness, Smart Promise and Infinite Soar.

Upon Completion, CIAM and Mr. Cheng’s companies, namely, Ample Richness, Smart Promise and Infinite Soar, are going to be acting in concert in relation to their voting rights in the Company. The other Vendors are only financial investors and none of them are going to be acting in concert in relation to their voting rights in the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in investment holding, treasury investments and provision of loan financing.

The Group had been loss-making in two consecutive years ended 31 December 2011, totaling to a net loss after tax of approximately HK\$83.0 million and only recorded a net profit after tax of approximately HK\$10.3 million for the year ended 31 December 2012. In view of the unsatisfactory financial performance of the Group, the management of the Group has continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance its value to the Shareholders. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income.

Competitive Advantages of the Weldtech Group

Based on the information and representation by the Weldtech Group, the Directors are of the opinion that the Weldtech Group has the following unique competitive advantages:

- (i) the Weldtech Group has obtained patent registration in relation to the UPPC System technology;
- (ii) the Weldtech Group has its own research and development team;
- (iii) the Weldtech Group has successfully introduced strategic investors who are either influential in the energy saving business and development in the PRC, or who has close connection with major business entities in the PRC; and
- (iv) under a sharing of energy savings EMC, one of the key revenue models of Weldtech Group, the Weldtech Group will share a pre-determined percentage of the electricity expenses of the customers saved after the adoption of the UPPC System over a normal term of about five years or more, which provides a recurring and steady cashflow for the Weldtech Group.

Upon Completion, the Directors believe that the Weldtech Group will serve as a platform for the Enlarged Group to enter into the energy saving industry and flagship of carbon reduction across the PRC.

Positive industry outlook and Government support

The Company had identified the Weldtech Group as an appropriate acquisition target for the Group and was of the view that the Previous Acquisition would allow the Group to diversify into a new line of business with significant growth potential. Following the lapse of the Previous Acquisition, the Company remains confident in the future prospects of the energy saving business of the Weldtech Group and therefore decides to proceed with the Acquisition.

The Directors are of the view that the energy saving industry as set out in “The 12th Five-Year Plan” announced by the PRC government in October 2010 is still expected to be one of the seven strategic emerging industries to be developed. The PRC government has committed to meet a 16% reduction per unit of GDP in energy use and a 17% reduction per unit of GDP in carbon dioxide emissions. Also, the potential increase in energy fee provides companies with more momentum to procure energy saving services. According to the “Category of National Promotion on Important Energy Saving Technologies — 1, 2, and 3” announced by the National Development and Reform Commission of PRC, several HVAC energy saving technologies including the UPPC System, the implementations of which are expected to get financial subsidies. HVAC energy consumption occupies a large proportion in commercial buildings and industrial plants in the PRC. Meanwhile, improving social energy saving awareness sets more opportunities for HVAC energy saving retrofit.

The Directors also noted the policies recently issued by the PRC government for supporting and promoting the energy saving industry, in particular:

- (i) the Chinese Green Building Movement Plan issued by the Ministry of Housing and Urban Development (MOHURD) in early 2013, which emphasises the energy efficiency of buildings with specific targets and promotions. The total investment in building energy conservation during “The 12th Five-Year Plan” is estimated to be over RMB250 billion of which new buildings and large public buildings retrofit will account for 80% of the investment;
- (ii) the 12th Five Year Building Energy Saving Special Plan issued by the Chinese Ministry of Housing and Urban Development in May 2012, targets to save 116 million tonnes of standard coal in building energy conservation by 2015 and forecasts the market scale of building energy conservation industry in China to be over RMB400 billion by 2017;
- (iii) the Public Facilities Energy Efficiency Improvement Plan issued by MOHURD, which sets subsidies for green buildings; and
- (iv) the Public Facilities Energy Efficiency Improvement Plan issued by the Ministry of Finance (MOF) and MOHURD in May 2011, which targets to reduce energy consumption of selected public facilities by 10% and large public facilities by 15% by 2015 and announces central government retrofit subsidies.

After taking into account of the above and the continuous and steady economic growth in the PRC, the commitment by the PRC government to the reduction of carbon emission, and the incentive provided by the PRC government for using environmental friendly products, the Directors are optimistic over the future demand of the UPPC System and the industry in which the Weldtech Group operates.

Track record and profitability

The Directors noted the loss-making track record of the Weldtech Group for the two financial years ended 31 March 2012 and six months ended 30 June 2013. As the Directors understand from the Vendors that the losses recorded in the relevant periods were mainly due to: (i) large fixed overhead costs, and (ii) the EMC model adopted by the Weldtech Group. EMC is a capital intensive model, whereby EMC providers have to bear the entire project costs before obtaining returns at later stages of the contracts, which limited the

resources available to the Weldtech Group for business development at the early stage. Given the capital intensive nature of the EMC model, the amount of resources available to the Weldtech Group is a key driver to its business development. Based on information from the management of the Weldtech Group, the key fixed overhead items include, amongst others:

- (i) sales and marketing;
- (ii) implementation;
- (iii) research and development; and
- (iv) corporate overhead.

According to the management of the Weldtech Group, the profitability of the Weldtech Group will be significantly improved once more projects have been completed, as the abovementioned fixed overhead items may be economically shared by the increased number of projects. The increased amount of projects will provide increased cash flow which can be used to build new projects and improve its technology.

Based on information provided by the Vendors, the Weldtech Group has completed a number of new projects during the previous years. During the period of the Previous Acquisition, the Weldtech Group had completed three (3) projects whereas currently, the number of completed projects is at nineteen (19).

The Company does not expect the Weldtech Group to contribute any material profits to the Group for the year ended 31 December 2013. However, with the new working capital from the Company, it is expected that the Weldtech Group would have sufficient funding to engage in additional projects and in turn, enhance its profitability. According to the information provided by the Vendors, if operating under the current model, the Weldtech Group will require approximately HK\$200 million working capital to support its rolling out of its operation plan for the next 24 months. The Company intends to fund the required working capital via internal resources of the Group, and upon Completion, the Company and the Vendors understand that, should the Group require any further funding to support the operation of the Weldtech Group, the Company may explore different methods for fund raising by way of equity and debt financing, including but not limited to, placements of Shares and/or convertible securities of the Company. The Company has been liaising with placing agents and securities firms from time to time in view of the possible fund raising activities that may be required upon Completion. However, such discussions of the possibility for potential fund raising needs are preliminary and no agreements or terms have been entered into at the date of this announcement.

Other factors considered for the Acquisition

In formulating their views, the Directors have also taken into account of:

- (i) a discount of approximately 11.57% of the total amount of the Consideration as compared with the consideration for the Previous Acquisition, which is a result of the commercial negotiation between the Company and the Vendors having taken into account the Weldtech Group's track record in the past two financial years;
- (ii) the amount of profit guaranteed by the Vendors for the two financial years following Completion, being not less than HK\$280,000,000 in aggregate, in contrast to the amount of profit previously guaranteed by the Previous Vendors, which was not less than HK\$230,000,000;
- (iii) the more favourable protection mechanism to the Company, which allows the Promissory Note B and Promissory Note C in the aggregate principal amount of HK\$560,000,000 to become null and void if the Target Profit Guarantee is not met as compared to previous release mechanism which compensates the Company only the shortfall between the actual profit and guaranteed profit;
- (iv) the longer track record incorporating the recent development of the Weldtech Group made available to the Company which allows the Board to form a more informed view on the future prospects of the Weldtech Group;
- (v) the factors set out in the section headed "Factors in determining the Consideration" above in this announcement.

After taking into account, among others, (i) the opportunity to diversify the business of the Group into a new line of business with significant growth potential and broaden its income source; (ii) the future prospects and growth potential for the HVAC energy saving industry in the PRC as mentioned above; (iii) the Group's strategy to look for new investments that can enhance the value of the Company; (iv) the basis of the Consideration as mentioned above; and (v) the more favourable terms of the Acquisition as compared to the Previous Acquisition, the Directors consider that the terms of the Sale and Purchase Agreement (including the issue of the Consideration Shares, the Promissory Notes and the Convertible Bonds) are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

PLAN AND INTENTION ON THE GROUP'S EXISTING BUSINESS AND BOARD COMPOSITION

As at the date of this announcement, the Group is principally engaged in investment holding, treasury investments and provision of loan financing. The Group intends to continue its existing principal business and currently has no intention to redeploy the remaining assets of the Group. The Group will continue to develop this business while also striving towards strengthening its overall financial position and focusing on the treasury investments. As such, the Acquisition will merely introduce an additional business line to the Group while at the same time the Group will continue to maintain its existing business. It is expected that the Group will then focus on and devote resources to both of its two principal businesses, namely (i) the treasury investments and the provision of loan finance

business; and (ii) the business of energy monitoring and energy saving solutions for buildings to reduce energy consumption, and to enhance overall energy efficiency of central air-conditioning system. The entering into of an additional business line will allow the Company to enhance the diversity of the Group's revenue stream.

The Company's existing management will remain responsible for the strategic planning and decision-making in terms of the executive and administrative processes for the Group. During the negotiation for the Previous Acquisition and the Acquisition, the Board had gained insight into the energy saving industry and had accumulated knowledge of the technology pioneered and engaged by the Weldtech Group over the previous few years while assessing the potential investment into the Weldtech Group. While the current management at operation level of the Weldtech Group are expected to be retained for their expertise and technical skillsets required for the ongoing development of the business, the Company also intends to recruit new personnel in preparation for the Acquisition. Please refer to section headed "Directors, senior management and expert advisory board of the Weldtech Group" for further information in relation to management personnel of the Weldtech Group.

As at the date of this announcement, the Company has not entered and has not proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to dispose of or downsize the existing businesses of the Group, and/or acquire other companies/businesses.

As at the date of this announcement, the Company does not have any current intention to change the existing composition of the Board upon Completion. The Sale and Purchase Agreement does not confer any right on the Vendors to nominate any Director to the Board upon Completion and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Vendors have any intention to nominate any Director to the Board.

GENERAL

The EGM will be convened to be held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the Conversion Shares, as well as the issue of the Convertible Bonds, and the granting of specific mandate to allot and issue the Consideration Shares and the Conversion Shares.

A circular containing, among other things, (i) further details of the Acquisition and other information of the Group and the Enlarged Group; and (ii) a notice of the EGM, is expected to be despatched to Shareholders on or before 30 December 2013.

As Completion is subject to the conditions precedent set out in the Sale and Purchase Agreement and the Sale and Purchase Agreement is subject to certain termination provisions, the Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in securities of the Company.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 November 2013 pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 9 December 2013.

DEFINITIONS

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

“2014 Actual Profit”	the audited consolidated profit before tax of the Weldtech Group for the year ending 31 December 2014
“2014 Profit Guarantee”	has the meaning ascribed to it in this announcement
“2015 Actual Profit”	the audited consolidated profit before tax of the Weldtech Group for the year ending 31 December 2015
“2015 Profit Guarantee”	has the meaning ascribed to it in this announcement
“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Ample Richness”	Ample Richness Investments Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Cheng
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business during their normal business hours
“BVI”	the British Virgin Islands
“Carbon Reserve”	Carbon Reserve Investments Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by CECEP HK

“CB Option(s)”	the options to subscribe for, in aggregate, the Possible Convertible Bonds
“CCBIAM”	CCB International Asset Management Limited, has investments including, without limitation, pre-IPO projects in Hong Kong, as well as Hong Kong listed companies
“CECEP”	China Energy Conservation and Environmental Protection Group, a state owned enterprise in the PRC
“CECEP HK”	China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Ltd., official window company of CECEP in Hong Kong
“CIAM”	CITIC International Assets Management Limited, a company incorporated in Hong Kong with limited liability
“CITIC Group”	CITIC Group Corporation, a state owned enterprise in the PRC
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the Sale and Purchase Agreement
“Completion Date”	the fifth Business Day after the fulfilment (or waiver, as the case may be) of the conditions set out in the paragraph headed “Conditions precedent” in the section headed “Sale and Purchase Agreement” of this announcement or such other date as may be agreed by the Vendors and the Purchaser in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the aggregate consideration of HK\$2,476,000,010 payable by the Purchaser to the Vendors in respect of the Acquisition pursuant to the Sale and Purchase Agreement
“Consideration Shares”	an aggregate of 170,000,000 new Shares to be allotted and issued by the Company to the Vendors (or their respective nominee(s)) at the Issue Price at Completion pursuant to the Sale and Purchase Agreement

“Conversion Date”	the Business Day immediately following the date of the surrender of the Convertible Bonds and delivery of conversion notice; or where the date of surrender and delivery as aforesaid is the record date for any distribution or other right exercisable in respect of the Shares, the conversion date shall be deemed to be such date of surrender and delivery
“Conversion Price”	the initial conversion price of HK\$0.8 per Conversion Share upon the exercise of the conversion rights attaching to the Convertible Bonds
“Conversion Shares”	the new Shares to be allotted and issued to the holders of the Convertible Bonds by the Company upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	collectively, Convertible Bonds A and Convertible Bonds B
“Convertible Bonds A”	the convertible bonds in the aggregate principal amount of HK\$434,980,010.00 (with nil interest in the first three years after the date of issue and shall bear interest thereafter at the rate of 3% per annum on the outstanding principal amount thereof), with the Conversion Price (being HK\$0.8) per Conversion Share (subject to adjustment) and maturing on 31 December 2023, to be issued by the Company as part of the Consideration
“Convertible Bonds B”	the convertible bonds in the aggregate principal amount of HK\$827,520,000.00 (with nil interest in the first three years after the date of issue and shall bear interest thereafter at the rate of 3% per annum on the outstanding principal amount thereof), with the Conversion Price (being HK\$0.8) per Conversion Share (subject to adjustment) and maturing on 31 December 2023, to be issued by the Company as part of the Consideration
“Cooperation Agreement”	has the meaning ascribed to it in this announcement
“Cross Cone”	Cross Cone Holdings Limited, a company incorporated in BVI with limited liability and is wholly-owned by Excel Arts Limited
“Deposit”	the amount of HK\$10,000,000 payable within 14 days upon the execution of the Sale and Purchase Agreement by the Purchaser to CIAM as refundable deposit for the Sale Shares and shall form part of Consideration at Completion
“Director(s)”	the director(s) of the Company
“Dr. Chen”	Dr. Chen, Guo Jin (陳國金博士)

“Dr. Gao”	Dr. Gao, Shang Quan (高尚全教授)
“Dr. Li”	Dr. Li, Ai Guo (李愛國博士)
“Dr. Long”	Dr. Long, Wei Ding (龍惟定教授)
“EGM”	the extraordinary general meeting of the Company to be convened to be held for the purpose of considering, and if thought fit, approving, among others, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the Conversion Shares and the issue of the Convertible Bonds, and the granting of specific mandate to allot and issue the Consideration Shares and the Conversion Shares
“EMC”	energy management contracts
“Enlarged Group”	the Group upon Completion
“Excess Conversion Shares”	has the meaning ascribed to it in this announcement
“Founders”	Mr. Wong, Ho Yuen and Mr. Wu, Gang (being the co-founders of Weldtech Technology)
“Group”	the Company and its subsidiaries
“Haoxin”	Haoxin Technology (Shanghai) Company Limited* (濠信節能科技(上海)有限公司), formerly known as 日滔貿易(上海)有限公司, a wholly foreign-owned enterprise established in the PRC, and is wholly-owned by Weldtech Technology
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HVAC”	heating ventilation and air-conditioning
“Infinite Soar”	Infinite Soar Limited, a company incorporated in BVI with limited liability and wholly owned by Mr. Cheng
“Issue Price”	the issue price of HK\$0.8 per Consideration Share
“ITOCHU”	ITOCHU Corporation Company Limited
“Last Trading Day”	31 October 2013, being the last trading day for the Shares before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majestic View”	Majestic View Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company

“Maturity Date”	has the meaning ascribed to it in this announcement
“Mr. Cai”	Mr. Cai, Wen Wei (蔡文為)
“Mr. Chan”	Mr. Chan, Chein Kwong (陳俊強)
“Mr. Cheng”	Mr. Cheng, Lut Tim (鄭聿恬)
“Mr. Dou”	Mr. Dou, Jian Zhong (竇建中)
“Mr. Feng”	Mr. Feng, Tao (馮濤)
“Mr. Lo”	Mr. Lo, Wing Yat (盧永逸)
“Mr. Ma”	Mr. Ma, Huan (馬歡)
“Mr. Tang”	Mr. Tang, Jie (湯杰)
“Mr. Wong”	Mr. Wong Wai Yin (黃偉賢)
“Mr. Zheng”	Mr. Zheng, Xin Li (鄭新立)
“Ms. Lui”	Ms. Lui Wing Patsie (雷詠)*
“Newmargin”	Newmargin Partners Ltd., a company incorporated in BVI with limited liability and is wholly-owned by Mr. Wang Qin
“NM PRC”	New Margin Venture Capital Co. Ltd.* (上海永宣創業投資管理有限公司)
“Ordinary Resolution A”	has the meaning ascribed to it in this announcement
“Ordinary Resolution B”	has the meaning ascribed to it in this announcement
“Outstanding Convertible Securities”	has the meaning ascribed to it in this announcement
“Possible Convertible Bond(s)”	convertible bonds to be issued by the Company in the principal amount of up to HK\$15,660,000 which is convertible into a maximum of 87,000,000 new Shares at the conversion price of HK\$0.18 per Share
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Acquisition”	the proposed acquisition of the entire issued share capital in Weldtech Technology by the Previous Purchaser in 2011 at the consideration of HK\$2,800,000,000

“Previous First Placing”	the proposed first placing of new Shares of a maximum of 6,250,000,000 new Shares under the specific mandate in 2011 pursuant to the placing agreement dated 9 June 2011
“Previous Placings”	the Previous First Placing and the Previous Second Placing
“Previous Purchaser”	Wise Planner Limited, a company incorporated in BVI and was wholly-owned by the Company
“Previous Sale and Purchase Agreement”	the sale and purchase agreement in relation to the Previous Acquisition which was entered into among the Previous VSA Parties dated 23 February 2011, as supplemented and modified by supplemental agreements dated 21 April 2011, 30 May 2011, 20 July 2011, 6 October 2011 and 31 December 2011
“Previous Second Placing”	the proposed second placing of new Shares of a maximum of 6,250,000,000 new Shares under the specific mandate in 2011 pursuant to the placing agreement dated 18 October 2011
“Previous Vendors”	together, Carbon Reserve, Cross Cone, Newmargin, Season Best, Smart Promise and SV Technology
“Previous VSA Parties”	together, Previous Purchaser, the Previous Vendors, the SV Technology’s Guarantors and the Company
“Promissory Notes”	collectively, Promissory Notes A, Promissory Notes B and Promissory Notes C
“Promissory Notes A”	non-interest bearing and transferrable promissory notes in the aggregate principal amount of HK\$474,000,000 to be issued by the Company to the Vendors (or their respectively nominee) for part of the Consideration and shall be due on the 31 December 2018
“Promissory Notes B”	non-interest bearing and transferrable promissory notes in the aggregate principal amount of HK\$240,000,000 to be issued by the Company to the Vendors (or their respectively nominee) for part of the Consideration and shall only be due on 31 December 2018 if the 2014 Profit Guarantee is met
“Promissory Notes C”	non-interest bearing and transferrable promissory notes in the aggregate principal amount of HK\$320,000,000 to be issued by the Company to the Vendors (or their respectively nominee) for part of the Consideration and shall only be due on 31 December 2018 if the 2015 Profit Guarantee is met

“Purchaser”	Total Global Holdings Limited, a company incorporated in BVI with limited liability and is wholly-owned by the Company
“Referral Agent”	Shenzhen Fulai Wealth Asset Management Company Limited (深圳富萊財富資產管理有限公司), a company incorporated in the PRC
“Referral Agreement”	the referral agreement dated 31 October 2013 entered into between Majestic View and the Referral Agent in relation to the Acquisition
“Sale and Purchase Agreement”	the sale and purchase agreement in relation to the Acquisition which was entered into among the Purchaser, the Company and the Vendors dated 31 October 2013
“Sale Shares”	the 1,724 shares of HK\$1.00 each in the share capital of Weldtech Technology, which represents the entire issued share capital of Weldtech Technology
“Season Best”	Season Best Investments Limited, a company incorporated in BVI with limited liability and is wholly-owned by CCBIAM
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Smart Promise”	Smart Promise Limited, a company incorporated in Hong Kong and is owned as to approximately 60.88%, 13.04%, 13.04% and 13.04% by Mr. Cheng, Ms. Zhao Xiao Hua, Ms. Li Ying Li and Mr. Liu Zhi Qiang respectively
“Strategic Partnership Agreement”	the strategic partnership agreement entered into between the Weldtech Group and the associated companies of CITIC Group, CECEP and CCBIAM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SV Technology”	SV Technology Company Limited, a company incorporated in Hong Kong with limited liability, one of the Previous Vendors and one of the Previous VSA Parties
“SV Technology’s Guarantors”	as defined in the circular of the Company dated 31 May 2011 in relation to the Previous Acquisition
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers

“Target Profit Guarantee”	the target profit guarantee pursuant to the Sale and Purchase Agreement, whereby the Vendors have irrevocably warranted and undertaken to the Purchaser that the 2014 Actual Profit shall not be less than HK\$120,000,000 and the 2015 Actual Profit shall not be less than HK\$160,000,000
“UPPC System”	Ultra Performance Plant Controller System
“Vendors”	together, CIAM, Ample Richness, Smart Promise, Infinite Soar, Cross Cone, Newmargin, Carbon Reserve and Season Best
“Weldtech Group”	Weldtech Technology and Haoxin
“Weldtech Technology”	Weldtech Technology Co. Limited, a company incorporated in Hong Kong and is wholly-owned by the Vendors
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
The Hong Kong Building and Loan Agency Limited
So Yuen Chun
Executive Director

Hong Kong, 6 December 2013

As at the date of this announcement, the Board comprises Mr. So Yuen Chun and Mr. Yeung Kwok Leung being executive Directors; Mr. Lam Kwok Hing, Wilfred being non-executive Director; and Mr. Yeung Wai Hung, Peter, Mr. Lam Raymond Shiu Cheung and Ms. Yuen Wai Man being independent non-executive Directors.

* *for identification purpose only*