THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in The Hong Kong Building and Loan Agency Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

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)

(I) 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 (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of The Hong Kong Building and Loan Agency Limited to be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Wednesday, 30 April 2014 at 11:30 a.m. is set out on pages 248 to 250 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

11 April 2014

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In this circular, unless the context otherwise requires, the following expressions 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 circular
"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 circular
"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
"Announcement"	the announcement of the Company dated 6 December 2013 in relation to, among other things, the Acquisition and the Referral Agreement
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"BBRT"	Berkeley Building Research and Technologies, Inc.
"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
"CAGR"	compound annual growth rate

"Carbon Reserve"	Carbon Reserve Investments Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by CECEP HK
"CB Options"	the options to subscribe for 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., an 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 sub-paragraph headed "Conditions precedent" in the section headed "Sale and Purchase Agreement" of this circular 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 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 circular
"Cross Cone"	Cross Cone Holdings Limited, a company incorporated in BVI with limited liability and is wholly-owned by Excel Arts
"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 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
"Excel Arts"	Excel Arts Limited, a company incorporated in BVI with limited liability and is owned as to 99% by Ms. Lui Wing, Patsie and 1% by Mr. Khoo Ken Wee
"Financial Adviser"	F.E. Corporate Finance Advisory Limited, the financial adviser engaged by the Company
"Founders"	Mr. Wong, Ho Yuen and Mr. Wu, Gang (being the cofounders 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
"HKAS 36"	Hong Kong Accounting Standard 36 Impairment of Assets
"HKFRS"	Hong Kong Financial Reporting Standards
"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 date of the Sale and Purchase Agreement and the last trading day for the Shares before the date of the Announcement
"Latest Practicable Date"	7 April 2014
"Lock-up Period"	has the meaning ascribed to it in this Circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Majestic View"	Majestic View Holdings Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company
"Maturity Date"	has the meaning ascribed to it in this circular
"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)
"Option Convertible Bonds"	the convertible bonds subscribed by the holders of the CB Options

"Ordinary Resolution A"	has the meaning ascribed to it in this circular
"Ordinary Resolution B"	has the meaning ascribed to it in this circular
"Outstanding Convertible Securities"	has the meaning ascribed to it in this circular
"Possible Convertible Bonds"	convertible bonds to be issued by the Company in the principal amount of up to HK$15,660,000, pursuant to the option subscription agreement and the option instrument included in the announcement published by the Company on 24 July 2012
"PRC"	the People's Republic of China, which, for the purpose of this circular, 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 from the Previous Vendors 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 6,500,000,000 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, the Previous Purchaser, the Previous Vendors, the SV Technology's guarantors and the Company
"Projection"	the financial projections of the Weldtech Group prepared by the Vendors and provided by the management of the Weldtech Group
"Projection Assumptions"	the assumptions under the Projection
"Projection Period"	30 September 2013 to 31 December 2023
"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 respective 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 respective 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 respective 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* (深圳富涞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 on 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 the Company
"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(s)"	each of the strategic partnership agreements entered into between the Weldtech Group and the associated companies of CITIC Group, CECEP, CCBIAM and Newmargin
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Study"	the study prepared by Frost & Sullivan in 2011 for the Previous Acquisition
"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

"Technical Review"	a technical review prepared by BBRT in 2010 with respect to the UPPC System of the Weldtech Group
"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 prior to the Completion
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent.

* *for identification purpose only*

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)

Executive Directors:
Mr. So Yuen Chun
Mr. Yeung Kwok Leung

Non-executive Director:
Mr. Lam Kwok Hing, Wilfred

Independent non-executive Directors:
Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung
Ms. Yuen Wai Man

Registered office:
Unit F, 7/F
China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

11 April 2014

To the Shareholders, and for information only,
holders of Outstanding Convertible Securities of the Company

Dear Sir/Madam,

(I) 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 (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

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 subject to the terms of the Sale and Purchase Agreement.

As the Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules, the Sale and Purchase Agreement and the transactions contemplated thereunder are therefore subject to the approval of the Shareholders at the EGM.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition and the Referral Agreement; (ii) financial information on the Group and the Weldtech Group; (iii) the unaudited pro forma financial information on the Enlarged Group; (iv) business valuation report on Weldtech Group and the related profit forecast; and (v) the notice of the EGM.

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 by the Previous Purchaser from the Previous Vendors (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 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 Previous Second Placing;

(iv) the announcement of the Company dated 22 March 2012 in relation to a proposed extension of the long stop date of the Previous Sale and Purchase Agreement 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 conditionally 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 and the transactions contemplated thereunder at the 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, 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 the 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 the Announcement.

As part of the business continuity and as a re-launch of the Previous Acquisition, the Purchaser, a wholly-owned subsidiary of the Company and the Company entered into the Sale and Purchase Agreement with the Vendors on 31 October 2013, 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.

THE 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 Latest Practicable Date, 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:	1,724	100.00000%

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:	2,476,000.01	100.00000%

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 would 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	1,250.00
Total:	33,100.00

Payment of the Consideration in cashier orders shall be funded by 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	**Principal amount of Convertible Bonds A** *(HK$'000)*	**Principal amount of Convertible Bonds B** *(HK$'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

(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	**Principal amount of Promissory Notes A** *(HK$'000)*	**Principal amount of Promissory Notes B** *(HK$'000)*	**Principal amount of 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:	474,400.00	240,000.00	320,000.00	1,034,400.00

(iv) Consideration Shares:

As to HK$136,000,000 by way of allotment and issue of 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 respectively.

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 Latest Practicable Date, the Weldtech Group 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 and contracted sums ranging from RMB350,000 to RMB21,860,000 *(Note)*; (ii) 34 contracts which are aimed to be signed in and around the first half of 2014, including 27 EMCs and 7 buyout contracts, with expected term of contract ranging from 5 to 8 years, and;

Note: According to the Vendors, the sum of RMB21,860,000 is the aggregate contract sum of two contracts with the same customer in relation to two different sub-systems of the same air-conditioning system.

(iii) 88 potential projects under review and in the process of negotiation, including 63 EMCs and 25 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 with contracted sums ranging from RMB1,170,000 to RMB12,500,000.

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

Apart from the profit made from the one-off buy out contracts, the EMCs engaged by the 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 its business. The PRC central government implements its energy saving policy in phases, choosing a number of cities to undergo energy saving projects in each phase. For instance, in 2014, the municipal government of Shanghai proposed to offer a national subsidy of RMB20 per square metre for each energy saving project to a public building that achieves a 20% decrease in energy consumption, and offered a subsidy of up to a maximum of RMB80 per square metre for model redevelopment projects, which successfully achieve energy saving milestones, such as a 20% or 50% decrease in energy consumption, to further encourage energy saving efforts.

Strategic partnerships

Based on due diligence information obtained from the Vendors, the Weldtech Group has entered into a strategic partnership agreement with each of its strategic shareholders including the CITIC Group, CECEP, CCBIAM and Newmargin via their corresponding associated companies (the "**Strategic Partnership Agreement(s)**"). The Strategic Partnership Agreements were entered into by the Weldtech Group with the following parties:

— the CITIC Group via CIAM on 31 July 2013 for a period of 10 years;

— CECEP via Carbon Reserve on 8 November 2010 for a period of 10 years;

— CCBIAM via Season Best on 10 November 2010 for a period of 10 years; and

— Newmargin on 8 November 2010 for a period of 10 years.

Under the Strategic Partnership Agreements, 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. According to the Vendors, the signed parties to these agreements have referred orders in the past and will, on a best effort basis, refer more potential orders, as well as provide market intelligence to the

Weldtech Group. In addition, the strategic shareholders also introduced investment initiatives and even suppliers to the Weldtech Group in the past. According to the Vendors, over the past years, approximately ten projects have been referred to the Weldtech Group as a result of the Strategic Partnership Agreements. However, none of these referred projects were realised. The Weldtech Group evaluated each of the referred projects on an objective basis taking into account of the project particulars, commercial terms, profitability and availability of resources. As the Weldtech Group was in the developing stage over the past years, the management of the Weldtech Group was cautious on project selection due to the limited resources available to the Weldtech Group at that time and as a result, the Weldtech Group decided to focus on projects which maximised the return to the Weldtech Group's revenue. Hence, no agreements for these referred projects were entered into.

Notwithstanding the limitations set out above, after several years of continuous communication and cooperation with the strategic partners and the increase in the operation size of the Weldtech Group with more available resources, the Weldtech Group's management expects that more referred projects from the strategic partners will materialise into sales orders for the Weldtech Group, in particular upon the Completion. In fact, the strategic partners are currently referring various international and national business groups through their internal and external networks to enter into memorandum of understandings ("**MOU(s)**") with the Weldtech Group. Each of these business groups is expected to bring in five to ten projects to the Weldtech Group, on top of the five projects under negotiation which were referred by the strategic partners. As at the Latest Practicable Date, the Weldtech Group has entered into a MOU with an overseas organisation and is currently in discussion with two other national organisations for entering into MOUs in the coming future which may bring in five to ten additional projects each.

The Weldtech Group evaluates each of the referred projects on an objective basis taking into account of the project particulars, commercial terms, profitability and availability of resources. The Weldtech Group expects the cooperation with the strategic partners will bring more fruitful results in the future as the Weldtech Group gains additional resources to execute more projects. 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 of 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 that 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 those in the PRC. ITOCHU and its associated companies may also be potential customers of the Weldtech Group in the future. In November 2012, a subsidiary of ITOCHU had signed a business promotion agreement with the Weldtech Group to introduce its customers in the PRC 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 sectors.

- 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 2011 and 31 March 2012, respectively, and ten months ended 31 October 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. Based on the Study conducted in 2011 for the Previous Acquisition and in consideration of the current projects on hand in the pipeline, the management of the Weldtech Group expects its profitability to be significantly improved by the end of 2014.

The following factors illustrate how the Weldtech Group can generate greater demand and further reduce costs, and thus generate a higher profit margin. The management of the Weldtech Group believes that the Weldtech Group can capitalise on its strong customer base with existing customers consisting of reputable international and national organisations across different sectors. In addition, many of the Weldtech Group's existing customers are conglomerates with multiple project sites, such as property developers, property management companies and hotel chains, which are expected to have a constant demand for the UPPC System. The Weldtech Group believes that if these existing customers are satisfied with the effectiveness of the UPPC System, it is very likely that the Weldtech Group will generate recurring business from them, and accordingly, less marketing cost has to be incurred over time whilst the Weldtech Group's reputation has become more established. The Weldtech Group is expected to be able to negotiate for more favourable prices with suppliers and sub-contractors through bulk purchase and signing long term contracts, which in turn is expected to result in reduction in the installation costs of the UPPC

System. As the Weldtech Group continues to accumulate project execution experience, it is expected that productivity and project efficiency will also be improved which will result in overall cost reduction. As the number of projects increases and its business scale expands, it is also expected that the Weldtech Group will be able to enjoy economies of scale and the per-unit fixed costs will be lower. 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.

Favourable government policies

The PRC government has issued policies in support of the energy saving industry in which the Weldtech Group is engaged. As an illustration of how the PRC government policies specifically affect the Weldtech Group's future prospects, a building in the PRC which consumes a substantial amount of electricity may be labelled by the local government as a "high energy consumer" ("用電大戶") and as a result, may be warned by the local power supply company to pay penalties for each watt consumed. Upon the successful installation and implementation of the UPPC System, it is expected that such building's energy consumption would be reduced and consequently, it is expected that the respective building would receive a financial subsidy ("節能減排專項補貼") from the relevant local government as a reward for no longer being classified as a "high energy consumer". Since the PRC government's intention to lower the usage of electricity is prominent and increasing, there is a drive for building owners to seek energy saving solutions. It is expected that against this backdrop, an increasing amount of opportunities will be created for the business of the Weldtech Group. 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 and details of specific government policies.

(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) The Projection and Projection Assumptions

The Company has also considered and reviewed the financial projection of the Weldtech Group for the next ten years as internally prepared by the Vendors and provided by management for the Weldtech Group, which has been further reviewed by the reporting accountant, valuer, and the Financial Adviser appointed by the Company. The Board has relied on the professional views on the Projection by the above mentioned parties in ascertaining the reliability and fairness of such Projection prepared, including the projected revenue based on the estimated number of new projects to be engaged by Weldtech Group each year in the Projection, and the estimated costs involved that affects the bottom line of the business. Also taking into account the external driving factors including national policies and its possible positive impact on the industry of the Weldtech Group, the potential and outlook of energy saving businesses in the PRC and based on the above, the Directors are of the view that the Weldtech Group has a positive prospect and the current market outlook will also enable and encourage the Weldtech Group to grow steadily.

The due diligence work conducted independently by the Company in relation to the Weldtech Group's expected profitability includes reviewing the relevant documentations, such as the business plan presented by the Weldtech Group, extracts of contracts signed between the Weldtech Group and its existing clientele, patent certificates in relation to the patented technologies owned by the Weldtech Group being reviewed by legal advisers, the Technical Review, and the Study. The Company has also communicated with the management of the Weldtech Group, the auditor and the valuer in order to understand the assumptions involved under the Projection and review the Projection as a whole. The Company has also sought advice from its Financial Adviser in relation to the review of the business plan of the Weldtech Group and the review of the Weldtech Group's financial information as compared to that under the Previous Acquisition.

In particular:

(a) the significant growth in the number of new projects per year during the Projection Period:

The Company is of the view that given the strategic partnerships and on-going discussions between the Weldtech Group and their business partners, such as developers of commercial and industrial properties, assumptions adopted for estimating growth in the number of new projects and increase in the number of returning clients with the growing demand in energy saving solutions, are fair and reasonable assumptions made by the management of the Weldtech Group. The Company has also been seeking updates from the Vendors with regards to the latest development of the Weldtech Group, such as its latest sales progress and status of pitching to strategic partners or new customers to ensure that the Company is sufficiently informed about the ongoing development of the Weldtech Group.

(b) *the ratio among different scales of projects for EMC business and buyout business, respectively:*

With respect to the ratio among different scales of projects for EMC business and buyout business, as provided by the management of the Weldtech Group, its strategy is to focus more on mid to large size projects (such as hotels and shopping malls) by considering factors including but not limited to (i) larger market size, (ii) higher growth potential, (iii) higher profitability, and (iv) larger variety of applications under the mid to large size projects. The Company has considered the business strategies of the Weldtech Group and its estimation on the ratio among different scales of projects remaining stable throughout the Projection Period. Given the reasons above, the Company is of the opinion that this assumption made under the Projection is fair and reasonable.

(c) *the prices for each type of projects for EMC business and buyout business are expected to grow at 3% annually:*

With respect to the annual growth in price, the Company had made reference to the preliminary reviews done by auditors, valuer, and the Financial Adviser for the Company to assess the reasonableness and market feasibility of the business development forecast that forms part of the Projection. In terms of the assumptions and factors incorporated in the Projection and the business strategy initiated by the management of the Weldtech Group, the Directors consider the assumptions fair and reasonable with reference to the current market data, including but not limited to the electricity price and economic data in the PRC that supports and suggests the relevance of such assumptions adopted in the Projection.

Based on the above, the Company is of the view that the Projection Assumptions are fair and reasonable and the Board confirms that it has made due and careful enquiry on the Projection.

The Financial Adviser has reviewed documents, including but not limited to, the Projection, the pipeline project list prepared and provided by the management of the Weldtech Group, samples of agreements entered into by the Weldtech Group, patent certificates of the patented technologies owned by the Weldtech Group, the Study conducted in 2011 and the Technical Review. The Financial Adviser also reviewed the valuer's work in relation to their arriving at the opinion of the value of the Weldtech Group. Explained below are the perspectives considered by the Financial Adviser under the different aspects regarding the Projection.

(a) Number of projects per year under the Projection

The number of projects per year under the Projection was proposed by the management of the Weldtech Group based on their development plan and expectation on future market demand, of which the valuer further reviewed the reasonableness and assumptions made thereunder. Factors taken into account are explained below:

(i) Project pipeline list under negotiation by the Weldtech Group

The pipeline list of projects provided by the management of the Weldtech Group indicated 34 potential projects targeted for and around the first half of 2014, including customers with memorandums of understanding signed, those in negotiation and pending confirmation from customers; assuming all the projects under the pipeline list are materialised, they would result in an estimated revenue in the amount of approximately RMB133 million, which would possibly contribute to the further development of the business of the Weldtech Group by bringing repeated businesses. As the total revenue of the Weldtech Group may be attributable to the increasing number of project categories with higher profit margin, the number of new projects each year may vary, and the following paragraphs include factors contributing to the increase in potential new projects, which would result in an overall revenue growth for the Weldtech Group.

(ii) Strategic Partnership Agreements

According to the management of the Weldtech Group, 4 Strategic Partnership Agreements were signed by the Weldtech Group with (1) CITIC Group via CIAM, (2) Newmargin, (3) Season Best, and (4) Carbon Reserve. In addition to the information included under the section "Information of the Vendors", CITIC Group Corporation, which is a large state-owned multinational conglomerate, is known to be involved in various industries including real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and IT industry with clear overall strength and great momentum of development. As of the end of 2012, the real estate arm of CITIC Group Corporation operated in 29 cities in the PRC, with 55 projects under development, approximately 7.1 million square meters under construction, and maintained a total land reserve of approximately 3.4 million square meters. It had also sold 110,000 square meters in the PRC and owned 7,199 mu of transferrable commercial land for primary development as of the end of 2012. Further to the information included under the section "Information of the Vendors", according to public information, Newmargin is an associate of NM PRC, which is a venture capital management company in the PRC whose clients include a number of technology and environmental-related companies, and whose investors include the investment arm of the PRC government and other foreign conglomerates. Season Best is a wholly-owned subsidiary of CCBIAM, which focuses on fund management and direct investments in industries of real estate, cement, infrastructure, etc. CCBIAM defines new energy, energy saving and environmental protection as part of their key investment directions, and the CCB Group has been in cooperation with various properties developers in Hong Kong and the PRC, which may become customers of the Weldtech Group for energy saving projects through referral by the CCB Group under the Strategic Partnership Agreement. Carbon Reserve is a wholly owned subsidiary of CECEP HK, which is the official window company of CECEP in Hong Kong, and CECEP is a central government-owned enterprise in the PRC that currently owns subsidiaries and holds substantial interests in a number of listed companies with coverage over 30 cities in the PRC. The Cooperation Agreement signed between CITIC Group Corporation and CECEP indicates the intention of the parties thereof to develop energy saving projects, and to enhance its planning and communication among senior managements of parties to such Cooperation Agreement in order to enhance its business cooperation when appropriate. Newmargin, Season Best and Carbon Reserve have in general agreed to utilise or refer the utilisation of the UPPC System to properties thereunder, or other parties as per the Strategic Partnership Agreements signed.

(iii) PRC governmental policies in relation to energy saving

Haoxin was recognized by the Shanghai Energy Management Contract Steering Committee Office* as an Energy Service Company ("**ESCO**"). The PRC government has announced targets to reduce energy and carbon intensity in the 12th five-year plan (2011–2015). In 2010, the PRC national government also adopted favorable tax legislations for ESCOs, under which ESCOs would enjoy tax exemption and tax reduction by taking part and launching more energy saving projects. An energy user under EMC can also benefit from tax incentives on relevant expenses incurred in accordance with the EMC. As demonstrated in the financial statements of Weldtech Group for the period from 1 April to 31 December 2012, a government subsidy of approximately HK$1 million was recorded. As such, the relevant national policies create incentives for both the Weldtech Group and its potential clients to engage in the EMC or buyout form of the energy saving projects, and thus would lead to a potential increase in the number of projects to be engaged by the Weldtech Group.

(iv) Market potential of energy saving solutions in the PRC

Demand for energy saving was driven by the abovementioned national policies in achieving energy saving targets and the economic development in the PRC. According to information released by the ESCO Committee of China Energy Conservation Association (EMCA) market value of ESCOs reached approximately RMB165.3 billion and the total investments in ESCO projects in the PRC amounted to approximately RMB50.6 billion by the end of 2012. According to an energy service market analysis released by International Finance Corporation, investment opportunity in the energy efficiency market of the PRC was estimated to be over USD100 billion (approximately RMB630 billion), which reflects that a great portion of investment opportunities remains unexploited. According to the China Greentech Report 2012 released by The China Greentech Initiative, a collaborative platform of Chinese and international organizations in relation to achieving sustainability objectives in the PRC, total ESCO project investments in the PRC grew from US$0.1 billion in 2003 to US$4.3 billion (approximately RMB26.44 billion) in 2010, at a CAGR of approximately 71.4%, and the CAGR of the forecasted revenue of the Weldtech Group under the Projection Period is 26.29%. According to the International Energy Outlook 2013 released by the U.S. Energy Information Administration, coal remains and will remain as the largest energy source for the world's net electricity generation throughout 2010 to 2040. The PRC coal consumption is estimated to increase from 69.4 quadrillion btu to 99.6 quadrillion btu for the period of 2010 to 2020. As such, with the increasing energy consumption and national requirement in energy saving, the CAGR of the forecasted revenue was considered a potential and possible rate to achieve.

(b) Ratio among different scales of projects

As mentioned above, the different scales of projects were based on its energy saving level and determined by technicians of the Weldtech Group. These scales include small-sized, medium-sized, large-sized, extra large sized (commercial) and extra large-sized (industrial) categories. As provided by the management of the Weldtech Group, the Financial Adviser noted that the ratios among the various sized projects are largely based on the management's business decisions, market insight and strategic planning of the Weldtech Group's engagement with customers, For instance, the management of the Weldtech Group has decided to place more focus on medium to large sized projects due to the greater interests of the market in such projects compared to other categories according to the management of the Weldtech Group's experience. The average gross profit margin of the projects estimated in 2014 under the Projection is approximately 50% to 60% and medium to large sized projects under EMC are estimated to command the highest gross profit margin among the 5 categories. Based on the above, the option pursued by the management of the Weldtech Group is sensible.

(c) Annual growth rate regarding project pricing

The pricing strategy was initially proposed by the management of the Weldtech Group. While the pricing of EMC was largely tied to the demand for energy savings and the electricity price in the PRC; the pricing of buyout contracts at a one-off rate would also vary among different customers, and different commercial negotiations.

Upon the valuer's review of the Projection Assumptions, and the Financial Adviser enquiring the valuer on the reasonableness of various factors, it was noted that the growth rate in pricing of the EMC projects at 3% per year is reasonable taking into account economic and various market data. According to data released by the National Bureau of Statistics of the PRC, electricity production in the PRC grew 7.6% in 2013 to 5.2 trillion kilowatt hours, which was faster than growth of 4.7% in 2012. The PRC's electricity consumption also corresponded with the increase in production, and electricity usage grew by 7.5% in 2013 to 5.3 trillion kilowatt hours, faster than the pace of 5.5% in 2012, according to data released by National Energy Administration of the PRC. Among the above data, most of the increase in 2012's power consumption was due to the industrial sector, which accounts for nearly three-quarters of total power consumption, and the PRC's industrial sector consumed 3.9 trillion kilowatt hours of electricity in 2013, up 7% from a year earlier compared with a growth rate of 3.9% in 2012. Electricity consumption by the services sector also grew by 10.3% to 627.3 billion kilowatt hours in 2013. As energy consumption grows, the need to control energy efficiency driven by national requirements would possibly lead to demand for the respective energy saving solutions. Also according to the valuer in terms of electricity price, the assumptions made on the electricity rates for the EMCs of the Weldtech Group are within the range of the historical electricity rates in the PRC in recent years, and falls within the average estimated electricity rates in the PRC within the Projection Period, and hence is reasonable.

(iv) Business valuation

The Company has carefully reviewed the financial information provided by the Vendors in respect of the Weldtech Group and expected 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 valuation of the business 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 value of HK$3.2 billion represents:

(i) approximately 129.55% of the total Consideration of HK$2.47 billion under the Acquisition; and

(ii) approximately 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 derived from the Strategic Partnership Agreements and the Cooperation Agreement, 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 valued at approximately HK$3.406 billion 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, 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 B and Promissory Notes C with the Target Profit Guarantee under the Acquisition, is more favourable to the Company compared to the consideration under the Previous Acquisition.

(v) Industry study report

The Company has considered a study on the industry prepared by Frost & Sullivan (the "**Study**"), 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, development and challenges, as well as the market position of the Weldtech Group. The Study was initiated and commissioned by the Company in 2011 when contemplating the Previous Acquisition. The Study covered the PRC EMC Market, which the Weldtech Group in the Previous Acquisition was engaged in, and detailed the market condition, corresponding opportunity and challenges for the then Weldtech Group's business prior to the Previous Acquisition taking place. As the Acquisition is a continuity of and revived project to the Previous Acquisition, and the Weldtech Group's business has remained the same as it was in the Previous Acquisition, the Company has made reference to the Study in view of its relevance and reliability as an in-depth market report.

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 2014 Profit Guarantee and 2015 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 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 average price-to-earnings ratio of 20.6 times has been derived from taking into account the historical earnings of such companies for the financial year in 2012 and the closing price of their shares as listed on Bloomberg as at 28 October 2013.

As the Weldtech Group's business belongs to a relatively innovative industry, identical and direct comparable companies are scarce in the local market. Instead, a selection of peer group was narrowed down for the Company's reference and evaluation to ascertain the potential value of Weldtech Group. 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 in 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, in which the Weldtech Group's main businesses are currently developed and operating. Certain comparable companies outside the PRC market were also selected in order to factor in companies with similar business and type of service.

As mentioned above, the peer group for comparison and reference purposes has been selected from data extracted from Bloomberg according to the relevance and representativeness of its business nature and target group of service and products as compared to those of Weldtech Group. For instance, a closely comparable example in the local market, Technovator International Limited, is a leading building energy solution provider which is one of the domestic building automation system players adopting the EMC model in the PRC and being listed in Hong Kong. The major integrated building automation systems providers in the PRC, namely Honeywell International Inc., Johnson Controls Inc., Siemens AG-REG and Schneider Electric SA have also been taken into consideration given their competitiveness and representativeness in the market, while the remaining are all listed companies in the PRC providing services related to energy management and/or solutions, which matches the principal business of the Weldtech Group.

The particulars of the 20 comparable companies as at 28 October 2013 are as below:

(i) Technovator International Limited is a domestic building automation system players with the adoption of the EMC model in the PRC and is listed in Hong Kong (stock code: 1206) with a price-to-earnings ratio of 15.2.

(ii) Shenzhen Das Intellitech Co. Limited, a provider of building intelligent system and energy saving solution for buildings, is listed on the Shenzhen Stock Exchange (stock code: 002421) with a price-to-earnings ratio of 45.8.

(iii) Shanghai Yanhua Smartech Group Co. Ltd, a service provider for artificial intelligent architecture and digital communities, is listed on the Shenzhen Stock Exchange (stock code: 002178) with a price-to-earnings ratio of 99.4.

(iv) Honeywell International Inc., a worldwide diversified technology and manufacturing company providing energy efficient products and solutions, aerospace products and services, control, sensing and security technologies, turbochargers, automotive products, specialty chemicals, electronic and advanced materials, and process technology for refining and petrochemicals, is listed on the New York Stock Exchange (stock code: HON:US) with a price-to-earnings ratio of 23.4.

(v) Johnson Controls Inc., a provider of building control systems and services, energy management, and integrated facility management, is listed on the New York Stock Exchange (stock code: JCI:US) with a price-to-earnings ratio of 23.8.

(vi) Siemens AG-REG, a provider of engineering solutions in automation and control, power, transportation, and healthcare, which creates and develops new solutions in the areas of energy, infrastructure and industry is listed on the Xetra and Frankfurt Stock Exchange (stock code: SIE:GR) with a price-to-earnings ratio of 16.2.

(vii) Schneider Electric SA, a manufacturer of power distribution and automation systems, which focuses on technologies that make industries and energy use in cities more efficient, is listed on the Paris Stock Exchange (stock code: SU:FP) with a price-to-earnings ratio of 18.1.

(viii) Shenzhen Invt Electric Co. Ltd, a producer of alternating current drives and automation products, including electrical transmission products, industrial automation products, new energy products and inverters, and consulting services in technology transfer is listed on the Shenzhen Stock Exchange (stock code: 002334) with a price-to-earnings ratio of 35.6.

(ix) Beijing Dynamic Power Co. Ltd., a manufacturer of power supply systems for telecommunication equipment, is listed on the Shanghai Stock Exchange (stock code: 600405) with a price-to-earnings ratio of 121.0.

(x) Fujian Longking Co. Ltd., a manufacturer of electrical control systems, is listed on the Shanghai Stock Exchange (stock code: 600388) with a price-to-earnings ratio of 52.6.

(xi) Jiangxi Lianchuang Optoelectronic Science & Technology Co. Ltd., a manufacturer of photoelectric components, which is also engaged in EMC projects and technology consulting services, is listed on the Shanghai Stock Exchange (stock code: 600363) with a price-to-earnings ratio of 29.2.

(xii) Nanjing Keyuan Automatic Corp Co. Ltd., a producer of automation system for thermal power industry and control system for electrical power industry, is listed on the Shenzhen Stock Exchange (stock code: 002380) with a price-to-earnings ratio of 59.3.

(xiii) Cnlight Co. Ltd., a manufacturer and seller of energy saving products, UV germicidal lamps, special used lighting and ballast, is listed on the Shenzhen Stock Exchange (stock code: 002076) with a price-to-earnings ratio of 89.6.

(xiv) Dongguan Kingsun Optoelectronic Co. Ltd., a developer and manufacturer of semiconductor lighting products and provider of comprehensive solutions, and applies its technology in EMC projects that provides customers with energy saving solutions, is listed on the Shenzhen Stock Exchange (stock code: 002638) with a price-to-earnings ratio of 37.8.

(xv) Jiangsu Transportation Research Institute Co. Ltd., a provider of traffic engineering consulting, contracting services and EMC projects, is listed on the Shenzhen Stock Exchange (stock code: 300284) with a price-to-earnings ratio of 21.4.

(xvi) Unilumin Group Co. Ltd., which designs, manufactures and sells LED application products and solutions, and engages in provision of energy saving project design and EMC projects via its subsidiaries, is listed on the Shenzhen Stock Exchange (stock code: 300232) with a price-to-earnings ratio of 86.2.

(xvii) Xuzhou Combustion Control Technology Co. Ltd., which is principally engaged in designs and manufactures the boiler ignitions, energy saving, environmental and innovative equipment, combustion equipment and control systems, is listed on the Shenzhen Stock Exchange (stock code: 300152) with a price-to-earnings ratio of 52.0.

(xviii) Shanghai Zhixin Electric Co. Ltd., a manufacturer of amorphous alloy transformer that assists electrical manufacturers and the industry in energy saving, is listed on the Shanghai Stock Exchange (stock code: 600517) with a price-to-earnings ratio of 53.5.

(xix) Zhejiang Hailiang Co. Ltd., a manufacturer and distributer of steel pipes and copper rods, involving solution in improving production efficiency while reducing metal and energy consumption, is listed on the Shenzhen Stock Exchange (stock code: 002203) with a price-to-earnings ratio of 28.1.

(xx) Shenzhen Zowee Tech Co. Ltd., a high-tech enterprise which researches, develops and manufactures networking and communication products, and provides service of OEM (Original Equipment Manufacturing) with their own manufacture base and production line, is listed on the Shenzhen Stock Exchange (stock code: 002369) with a price-to-earnings ratio of 34.6.

In addition to the business development of the Weldtech Group, the market outlook and governmental policies in the PRC as mentioned in the Announcement, an alternative perspective by means of a comparable analysis has been taken into account as a reference to assess the fairness and reasonableness of the Consideration. Comparable companies thereunder were selected based on reasons set out in the Announcement, and mainly in terms of the nature of the businesses among the list at the best effort, knowledge and endeavors of the Company. The comparable companies are considered fair and representative samples for comparison as the principal business of the comparable companies are generally similar to those of the Weldtech Group and they belong to a similar industry. Given the relatively new technology of the UPPC System and its lack of marketability at the current stage, the Company is of the view that such selected list of comparable companies that is non-exhaustive is reasonable and would serve as a meaningful reference for the Weldtech Group.

Based on all the above factors and reasons, the Directors consider that the Acquisition and the Consideration are 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 and the issuance of Promissory Notes, is favourable to the Group at this 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 arising from the Consideration Shares.

The Promissory Notes B and the Promissory Notes C 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. A vendor financing arrangement is a commonly applied practice in the market whereby, in effect, the vendor of a transaction finances the whole or part of the consideration to the transaction and in this case, the Acquisition, by agreeing to accept payment by instalment or by phase over time. 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 transfers among the Vendors (the "**Lock-up Period**").

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 (i) 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; (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;

(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 the Announcement, this 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 Latest Practicable Date, 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.

The Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the term under the Sale and Purchase Agreement that condition precedent (h) is waivable, will be subject to Shareholders' approval. The Company is not required under the Listing Rules to seek separate Shareholders' approval to waive condition precedent (h). Furthermore, the Company would disclose any waiver made as updates to the status of the Acquisition as and when appropriate.

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 the 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.

Pursuant to the Sale and Purchase Agreement, the 2014 Actual Profit and the 2015 Actual Profit are to be ascertained with reference to the audited consolidated financial statements of the Weldtech Group using Hong Kong Financial Reporting Standards ("**HKFRS**"). The HKFRS allow the recognition of certain one-off gains as revenue and, hence, should the Weldtech Group enter into certain transactions during the years ending 31 December 2014 and 2015 that would, if required by the HKFRS, be recognised as a one-off gain, such amounts would be counted towards determining whether the 2014 Actual Profit or 2015 Actual Profit have been achieved. The Directors, nonetheless, note that the Weldtech Group has not, in the two years ended 31 March 2011 and 2012, nine months ended 31 December 2012 and ten months ended 31 October 2013, recognised any one-off gain.

In addition, after Completion, it is expected that the Company will have control over the business activities and transactions entered into by the Weldtech Group. Given the Company's control over the Weldtech Group, it is therefore expected that transactions that will be entered into by the Weldtech Group will be in the overall interests of the Company. Accordingly, the Directors believe that the inclusion of one-off gains, if required and permitted under HKFRS, in determining whether the 2014 Actual Profit or 2015 Actual Profit is achieved, is still fair and reasonable to the Company as a whole.

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, which was 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 34 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 business 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 to the previous profit guarantee not being 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 Completion, the Company is optimistic that the Weldtech Group will be able to roll out more 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 returning businesses from such customers with respect to other properties owned by such customers. As provided by the Vendor, one customer has brought in repeated business as at the Latest Practicable Date. There were four contracts signed in total with this customer in which approximately RMB1.5 million was recognized as revenue in 2010. As provided by the Vendors, for the remaining 3 projects, they are still in an implementation stage and are expected to complete within 2014. The total contract size of these 3 to-be-completed projects are expected to be approximately RMB4.4 million. The Company is of the view that, although the Weldtech Group was unable to achieve the previous profit guarantee, the Weldtech Group is currently in a much better position than it was two years ago.

Capital requirement is essential for the ongoing business development of the Weldtech Group, especially given the nature of the UPPC System and the business model of the Weldtech Group. The Company is of the view that once more projects are rolled out assuming Completion, together with further funding to be provided by the Company to support its operations, repeated customers and long term business relationships are more likely to be established to achieve improving energy saving levels, hence contributing to the revenue stream of the Weldtech Group. As such, the Company is of the view that the Target Profit Guarantee is reasonable and possible to be achieved.

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 for a period of three years (the "**Cooperation Agreement**"), following the energy saving and environmental protection guideline prepared by the PRC government. The Cooperation Agreement provides for a broad and general scope of cooperation between the parties. According to the Vendors, it serves as a positive foundation to encourage, though not oblige, CECEP and the CITIC Group to 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 a fair and reasonable practice and is in the best interests of the Company and the Shareholders as a whole.

Please note that the above merely represents the profit guarantee proposed 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. The Company has from time to time communicated with the management of the Weldtech Group to understand its latest development and sales status prior to Completion. Having taken into account the compensation mechanism derived from the Target Profit Guarantee and other factors previously elaborated, the Company considers the Consideration fair and reasonable and in the interest of the Shareholders as a whole.

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 that 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 (such principal amount being determined upon commercial negotiation between the Company and the Vendors) to the Vendors as part payment of the Consideration upon Completion as follows:

Name of Vendor	**Principal amount of Promissory Notes A** *(HK$'000)*	**Principal amount of Promissory Notes B** *(HK$'000)*	**Principal amount of 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:	474,400.00	240,000.00	320,000.00	1,034,400.00

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. Subject to the Lock-up Period, the Promissory Notes will be 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 Latest Practicable Date, the Company has not entered into any agreement in respect of any such fund raising exercise.

The Promissory Notes B and Promissory Notes C in aggregate amount to HK$560 million. 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 among other things, 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. Such announcements will include information in relation to whether the Target Profit Guarantees are met in each year respectively and accordingly, whether the relevant Promissory Notes shall become null and void. Such announcements will also include information in relation to whether the Target Profit Guarantees are met with any recognition of one-off gains in determining the 2014 Actual Profit and the 2015 Actual Profit. The 2014 Actual Profit and 2015 Actual Profit will be the audited consolidated profit before tax of the Weldtech Group for the year ending 31 December 2014 and 31 December 2015, respectively, which is to be ascertained and confirmed with the auditors in relation to the financial statements of the Weldtech Group for the respective two years in accordance with HKFRS. 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 figures of the 2014 Actual Profit and the 2015 Actual Profit, 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 the 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:	136,000.00	170,000,000

The aggregated 170,000,000 Consideration Shares represent (i) approximately 29.00% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 22.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 7.28% 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	Principal amount of Convertible Bonds A	Principal amount of Convertible Bonds B	Total
	(HK$'000)	*(HK$'000)*	*(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 *pari passu* 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. Pursuant to the bond instrument of Convertible Bonds A, the Conversion Price is subject to adjustments upon the occurrence of, among other matters, (i) consolidation, subdivision or reclassification; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) rights issues of Shares or options over Shares; (v) issues at less than the market price; (vi) other issues at less than the market price; and (vii) modification of rights of conversion.
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 issue Shares, modify rights attaching to the Shares with respect to voting, dividends or liquidation, issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Shares, grant subscription or conversion rights to existing securities, make grant or distribution the effect thereof would be Shares to be issued at a discount, close the register of members and to reduce issued share capital, share premium account, contributed surplus or capital redemption reserve of the Company. The covenants relating to conversion were determined under arm's length negotiations between the Company and the bondholders of Convertible Bonds A and they are covenants which safeguard the bondholder's interest prior to conversion which are commonly seen in practice. As each limitation is subject to certain qualifications and exceptions, the Board is of the view that the limitations are fair and reasonable and in the interests of the Company and its Shareholders.
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 the Convertible Bonds B 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 *pari passu* 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. Pursuant to the bond instrument of Convertible Bonds B, the Conversion Price is subject to adjustments upon the occurrence of, among other matters, (i) consolidation, subdivision or reclassification; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) rights issues of Shares or options over Shares; (v) issues at less than the market price; (vi) other issues at less than the market price; and (vii) modification of rights of conversion.
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 issue Shares, modify rights attaching to the Shares with respect to voting, dividends or liquidation, issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Shares, grant subscription or conversion rights to existing securities, make grant or distribution the effect thereof would be Shares to be issued at a discount, close the register of members and to reduce issued share capital, share premium account, contributed surplus or capital redemption reserve of the Company. The covenants relating to conversion were determined under arm's length negotiations between the Company and the bondholders of Convertible Bonds B and they are covenants which safeguard the bondholder's interest prior to conversion which are commonly seen in practice. As each limitation is subject to certain qualifications and exceptions, the Board is of the view that the limitations are fair and reasonable and in the interests of the Company and its Shareholders.
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 Latest Practicable Date, 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 1,578,125,011 Conversion Shares, representing (i) approximately 269.19% of the issued share capital of the Company as at the Latest Practicable Date, (ii) approximately 72.91% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares, and approximately 67.60% 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 of the Convertible Bonds.

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 premium of approximately 21.25% to the closing price of HK$0.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) 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;

(c) 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;

(d) 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

(e) a premium of approximately 7.94% over the audited consolidated net assets attributable to equity holders of the Company of approximately HK$0.74 per Share as at 31 December 2013, based on the audited consolidated net assets according to the Company's annual results announcement for the ended 31 December 2013 and the number of issued Shares as at the date of the annual results announcement.

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 has 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 Company and the Vendors, which are different compared to the Previous Acquisition. As the Referral Agent has an extensive network, an in-depth understanding and familiarity of the industry, particularly in the PRC, possesses knowledge relating to the corporate structure of the Weldtech Group and has business relationships with certain shareholders of 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 with the Vendors, the Company managed to arrive at the agreed terms for the Acquisition, which is more favourable to the Company as compared with the Previous Acquisition. The Company sees value in the role of and services provided by the Referral Agent and on such basis, 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 Vendors are not required to pay any referral fee to the Referral Agent under the Referral Agreement and to the best of the Directors' knowledge, the Referral Agent does not receive any other fee from the Vendors.

The Directors considered that 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 Latest Practicable Date.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, 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 Latest Practicable Date, there are outstanding (i) 76 CB options to subscribe for the Possible Convertible Bonds in the aggregate principal amount of HK$11,901,600; (ii) Option Convertible Bonds in the principal amount of HK$1,566,000 as a result of the 10 exercised options out of the CB Options, which are convertible into 15,660,000 Shares; (iii) convertible bonds in the aggregate principal amount of HK$43,200,000 issued on 17 February 2014, which upon conversion are convertible into 320,000,000 Shares; and (iv) share options granted under the share option scheme of the Company to subscribe for 13,488,000 Shares (collectively, the "**Outstanding Convertible Securities**").

The following chart depicts, assuming there being no issue (other than the Consideration Shares and the Conversion Shares) or repurchase of Shares from the Latest Practicable Date, the shareholding structure of the Company (I) (i) immediately before Completion and (ii) before the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company; (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. The Directors confirmed that the Acquisition will not result in a change of control of the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company under the following circumstances for illustration purpose:

	(I) (i) Immediately before Completion and (ii) before the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company		(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		(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	
	No. of Shares	*approx. %*	*No. of Shares*	*approx. %*	*No. of Shares*	*approx. %*	*No. of Shares*	*approx. %*
Vendors:								
CIAM	—	—	73,462,878	9.71%	755,425,253	32.36%	755,425,253	26.96%
Ample Richness	—	—	29,089,327	3.85%	299,128,114	12.82%	299,128,114	10.67%
Smart Promise	—	—	22,679,814	3.00%	233,218,539	9.99%	233,218,539	8.32%
Infinite Soar	—	—	12,917,633	1.71%	132,833,170	5.69%	132,833,170	4.74%
Cross Cone	—	—	10,058,005	1.33%	103,427,355	4.43%	103,427,355	3.69%
Newmargin	—	—	9,860,789	1.30%	101,399,364	4.34%	101,399,364	3.62%
Carbon Reserve	—	—	7,001,160	0.93%	71,993,547	3.09%	71,993,547	2.57%
Season Best	—	—	4,930,394	0.65%	50,699,669	2.17%	50,699,669	1.81%
Sub-total of Vendors *(Note 1)*:	**—**	**—**	**170,000,000**	**22.48%**	**1,748,125,011**	**74.89%**	**1,748,125,011**	**62.38%**
Public:								
Holder(s) of the Option Convertible Bonds *(Note 2)*	—	—	—	—	—	—	15,660,000	0.56%
Holder(s) of the CB Options *(Note 2)*	—	—	—	—	—	—	119,016,000	4.25%
Holder(s) of the Convertible Bonds *(Note 3)*	—	—	—	—	—	—	320,000,000	11.42%
Holders of the share options *(Note 4)*	—	—	—	—	—	—	13,488,000	0.48%
Public Shareholders *(Note 3)*	586,245,466	100%	586,245,466	77.52%	586,245,466	25.11%	586,245,466	20.91%
Total	**586,245,466**	**100%**	**756,245,466**	**100%**	**2,334,370,477**	**100%**	**2,802,534,477**	**100%**

Notes:

(1) The shareholding structure set out in this row 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.

(2) 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 which allows the holder of the CB Options to subscribe for convertible bonds of the Company in an aggregate principal amount of up to HK$15,660,000 that are convertible into 87,000,000 new Shares at the initial conversion price of HK$0.18.

References are made to the announcements of the Company dated 31 December 2013 and 25 February 2014 in relation to, among other things, the First Adjustment (as defined below) and the Second Adjustment (as defined below), respectively.

The initial conversion price of the Option Convertible Bonds and the Possible Convertible Bonds to be subscribed upon exercise of the CB Options, has been adjusted from HK$0.18 to HK$0.14 per conversion Share ("**First Adjustment**") with effect from 19 December 2013. Upon the First Adjustment, the conversion price of the Option Convertible Bonds and the Possible Convertible Bonds to be subscribed upon exercise of the CB Options, has been further adjusted from HK$0.14 to HK$0.10 per conversion Share ("**Second Adjustment**") with effect from 17 February 2014.

Immediately prior to the Latest Practicable Date, 24 out of the 100 CB Options had been exercised to subscribe for convertible bonds of the Company in the principal amount of HK$3,758,400.

As at the Latest Practicable Date, there are Possible Convertible Bonds in the principal amount of HK$11,901,600 to be subscribed by the holders of the CB Options. With reference to the circular of the Company dated 18 March 2014 in relation to, among others, the proposed grant of separate specific mandate to issue further conversion shares, based on the further adjusted conversion price of HK$0.10, the Possible Convertible Bonds are convertible into up to 119,016,000 new Shares upon full exercise of the conversion rights attached thereto.

(3) References are made to the announcements of the Company dated 28 February 2013, 15 March 2013, 22 August 2013, 16 October 2013, 5 November 2013, 11 February 2014 and 18 February 2014, in relation to, among other things, the placing of convertible bonds in the principal amount of HK$60,750,000 which are convertible into up to a maximum of 450,000,000 conversion shares at the conversion price of HK$0.135 (the "**CB Placing**"). The CB Placing for all tranches was completed on 17 February 2014.

As at the Latest Practicable Date, convertible bonds in the principal amount of HK$17,550,000 had been converted into 130,000,000 conversion shares. As at the Latest Practicable Date, there are convertible bonds in the principal amount of HK$43,200,000 which are convertible into up to a maximum of 320,000,000 conversion shares at the conversion price of HK$0.135.

(4) The share options refer to the outstanding share options under a share option scheme of the Company approved on 22 May 2008.

INFORMATION ON THE WELDTECH GROUP

Set out below is the background information on 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 Latest Practicable Date. 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 Latest Practicable Date, its registered capital is US$8,880,000 which has been paid up as at the Latest Practicable Date 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.

Weldtech Group

The financial year end date of Weldtech Group was changed from 31 March to 31 December commencing from 31 December 2012.

The reason for such change in the financial year date was to align the financial year end of the Weldtech Group with its single largest shareholder at the material time, CIAM (which has a financial year end date falling on 31 December), after its increase in shareholding in the Weldtech Group in July 2013. The decision was made in order to ensure a consistency in the accounting policy of the Weldtech Group with that of CIAM.

As the change from 31 March to 31 December for the financial year end date of the Weldtech Group was initially due to the change in shareholding structure of the Weldtech Group as explained above, the Company is of the view that such change is a normal corporate decision and is reasonable. Also, as the year end date of the Company is 31 December, the change made by the Weldtech Group would align its financial year end date with that of the Company. As such, the Directors are of the view that such change will have little impact on the assessment on the financial information of the Weldtech Group.

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 the UPPC System to its customers in models of (i) buyout sales; 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 of buyout sales estimated in 2014 is approximately 34%.

Based on a sharing scheme of energy savings under EMCs, the Weldtech Group delivers the UPPC System to its customers and bears 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 shares a pre-determined percentage of the electricity expenses of the customers save after the adoption of the UPPC System. The Weldtech Group usually shares 80% to 90% of the energy savings with clients for the first to third year followed by 60% during the next 3 to 7 years, subject to the actual terms under the agreements entered into between the customers and the Weldtech Group. The EMC contains a 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 projects ranges from 50% to 60%.

The UPPC System

The ultra performance plant controller system (the "**UPPC System**") is a software-based energy saving solution through real-time co-ordination of each component in the air-conditioning system, including chiller plants, to optimise the output level of such components to reduce energy consumption. It combines both software and hardware. The software of the UPPC System performs the role of the "brain" which controls, through the hardware, the components of the air-conditioning system. The hardware collects and transmits operating data to the software for processing and executes control commands issued by the software. The UPPC System incorporates automatic workload optimization on a real-time basis whilst most of the other technologies update the specific commands on individual components on a pre-determined time interval. Such mechanism allows enhanced effectiveness as compared to other energy saving systems.

In terms of the hardware, the UPPC System includes mainframe computer, industrial programmable logic controllers, control panels, different types 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.

The UPPC System is a relatively new and innovative solution in the market. The Company has been in communication with the management of the Weldtech Group since the Previous Acquisition. The Company therefore has been obtaining information on the system and related technology from the management of the Weldtech Group since then, which have collectively provided the Group with more insight into the operation and business potential of the business of the Weldtech Group.

In addition to information provided by the management of the Weldtech Group, the Company also appointed relevant consultants to conduct research and prepare a detailed review as mentioned below, which offers the Board a more practical explanation and walk-through of the technology applied to the UPPC System and its efficiency perceived.

Berkeley Building Research and Technologies, Inc. was engaged by the Company to conduct and prepare the technical review in 2010 with respect to the UPPC System of the Weldtech Group (the "**Technical Review**"). BBRT was engaged by the Company in order to understand, investigate and evaluate the technical mechanism, practicality and effectiveness of the UPPC System.

As at the date of the Technical Review, BBRT was an independent and impartial research, testing, consulting and information company providing resources for the building industry. It was founded by Mr. Anthony Radspieler, Jr. and Dr. Peng Xu, who were also involved in the preparation of the Technical Review.

Dr. Peng Xu was the principal consultant of BBRT from 2009 to 2010. Dr. Peng obtained a Ph.D. in Civil and Environmental Engineering from University of Colorado, Boulder in 2001, was a licensee professional engineer of US National Society of Professional Engineers since 2000 (Mechanical/thermal fluid), and a scientist at Lawrence Berkeley National Laboratory, Environmental Energy Technologies Division in 2001 to 2009.

Mr. Anthony Radspieler, Jr. was the principal research associate at Environmental Energy Technologies Division of Lawrence Berkeley National Laboratory, Berkeley, CA from 2001 to 2009, project manager of the US Navy, Norfolk, VA from 2000 to 2001, Project Engineer at the Utilities Department of Cornell University, Ithaca, NY, from 1999 to 2000, third assistant engineer, University of Hawaii Marine Center, Honolulu, HI from 1992 to 1994.

The Technical Review included contents regarding: (i) an explanation and analysis of the UPPC System; (ii) the existing related technologies in the market; (iii) a field test of the UPPC System; and (iv) the characteristics of the UPPC System, which are summarised as below:

(i) The UPPC System

In brief, the UPPC System developed by the Weldtech Group was designed to interface with existing central cooling plants in industrial and commercial buildings in order to optimise cooling plant performance in real time, so as to reduce energy consumption and demand supplementing to the existing building mechanical systems. Compared to the conventional control solutions for buildings, such as components of the HVAC systems, which involves issues in relation to the lack of an ideal real time modelling, configuration efficiency problems, reliance on auxiliary equipment, overall control and balance of the monitoring systems, etc., the UPPC System adopts a more holistic approach and places more emphasis on energy efficiency of the entire chiller plant and takes into account factors more extensively and comprehensively.

The UPPC System consists of both hardware and software components. The hardware components include sensors and actuators, in particular motorised isolation valves, temperatures transducers, water flow meters, differential pressure transducers, power transmitters, outdoor temperatures and humidity transducers, and employs mainframe computers and industrial programmable logic controllers as core hardware components. The Weldtech Group had also developed a software system with optimisation algorithm modules compiled from mathematical models and optimisation programs, which was designed for seeking optimal solutions, administration of periodic data collection, and sending of commands to control devices of the UPPC System.

(ii) Existing technologies in the market

According to BBRT, a typical HVAC system in a building consists of air delivery systems that provides conditioned air to the spaces to offset the building loads. The building boiler and chiller plants provide hot and cool water to the air delivery systems to maintain the building at the desired temperature and humidity. While building mechanical systems entails cooling and heating demands happening at zones, mechanical systems must deliver or remove equivalent amount of heating to or from the zones. Since loads and operating conditions affect energy use, and are uncontrolled variables, such loads, space conditions and outside environmental conditions are regarded as constraints that are dictated to the necessary handling by the HVAC system. However, under conventional HVAC system controls, the respective cooling plants and other mechanical devices thereof are not controlled to minimise the energy use, but rather as an operation control. A reset mechanism under the system to certain equipment depending on the load may occasionally increase the overall system energy use, due to the absence of a real time modelling and optimisation design, and hence renders it difficult to determine an optimal set point regarding energy consumption.

The essence of an HVAC system is the different optimisation methods and commercial systems that are featured in various ways. The Technical Review prepared by BBRT incorporated a comparison of these features of chiller plant control methods, which have been researched and evaluated in different literature or adopted in existing commercial systems; these features include optimisation, global control, real time elements, commercialised products, field tests, on-line calibrated features, size of plants, chiller cycling, forward prediction, water loops control and switchable systems.

(iii) Field test of the UPPC System

A field test of the UPPC System had been undertaken by BBRT, which took place at a commercial building in Shanghai, PRC. The building originally had its control system monitoring its chiller plants, which monitors the on-off status of different equipment, and controls the secondary pumps according to the differential pressure set-points, while temperature resets of the system were manually realised by its operators. BBRT then installed the software and hardware for the UPPC System at the building, upon which the above chiller plant could be controlled by its original system or the UPPC System, and these two control systems could be switchable. BBRT also included a section of data integrity, and explained its technical methods with respect to the checking of the authenticity and integrity of the data set, which includes outdoor temperature, water temperature, the number of equipment in operation, water flow rate, and power consumption, etc. to ensure reliability of the test. BBRT provided that the test had resulted in a decrease in the total chiller plant energy consumption upon retrofit with the UPPC System, and recorded a certain extent of saving in energy, which points to a positive indication for the energy saving potential upon adaptation of the UPPC System.

(iv) Characteristics of the UPPC System

Under the Technical Review, features of the UPPC System had been studied and tested, which led to a number of positive indications for its energy saving potential. As mentioned in the Technical Review, the UPPC System uses online real time modelling as the baseline for optimisation to improve the cooling plant efficiencies. The UPPC System captures major features of quite a number of positive market research outcomes, such as real time calibration, adaptive control, and supervisory optimisation. Overall, a more holistic approach was adopted in the design of its solution. On the other hand, it was also noted that the Weldtech Group should further expand its data set of the calibrated models for the HVAC equipment and create a more advanced library of dataset for the chiller modelling, in addition to its own proprietary models in order to stay competitive and continuously improve its technology.

In addition to the above review, the Company has obtained from the management of the Weldtech Group the patent certificates for the 7 patented technologies owned by the Weldtech Group, and had such certificate information reviewed and verified by legal advisers to the Company as part of the due diligence work in relation to the technology of the Weldtech Group.

As at the Latest Practicable Date, 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

The Weldtech Group currently holds the seven patents set out above which enable the Weldtech Group to achieve energy optimisation through energy consumption control devices and performance modeling devices. Such patents differentiate the Weldtech Group's proprietary UPPC System from that of its competitors by improving co-ordination among various components of the cooling system and thus improving energy conservation efficiency. By protecting the Weldtech Group's technology from unauthorised use, the Weldtech Group is expected to be able to maintain its technological edge as well as competitive advantages over other players.

With regard to the patents owned by the Weldtech Group, the Company has reviewed all patent certificates of the technologies patented under the Weldtech Group, and has sought professional advice from legal advisers regarding the validity of such certificates.

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 service company" ("**ESCO**"). As a recognised ESCO, Haoxin is eligible to apply for certain government subsidies, such as the subsidy for energy saving redevelopment to public buildings, and is also entitled to certain tax benefits, such as exemption and reduction in project tax rate.

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

As at the Latest Practicable Date, 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 of the Weldtech Group.

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 inhouse 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).

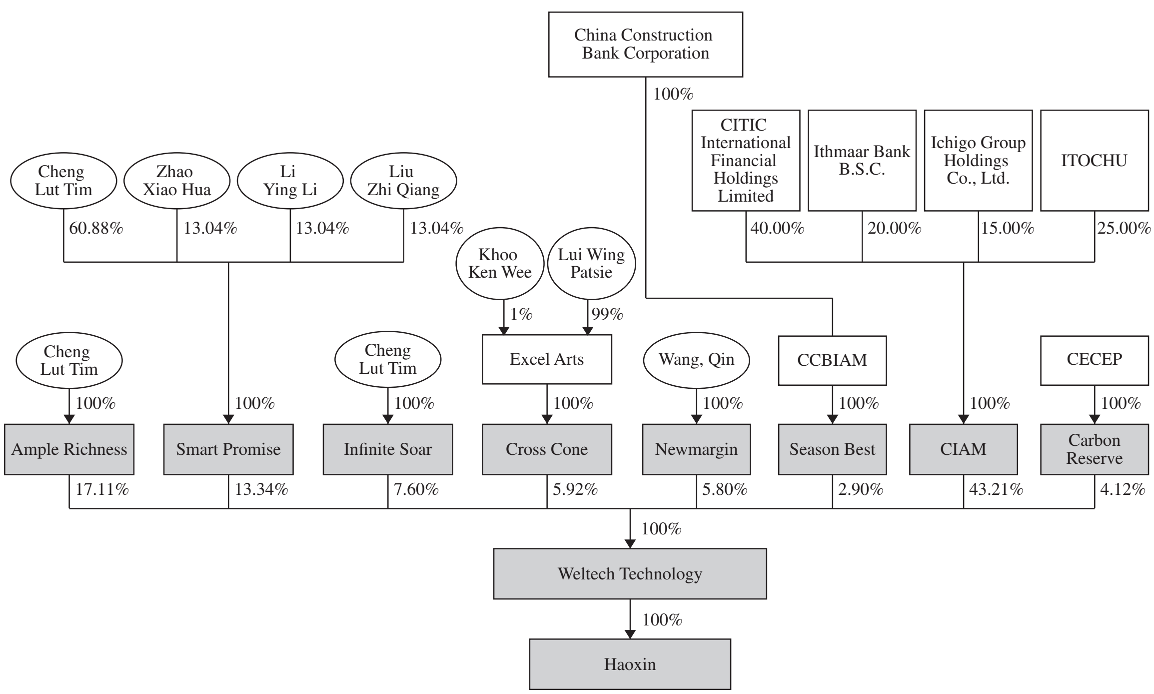
Mr. Feng obtained a master's degree in science from the department of statistics and applied probability of University of Alberta in June 1992. He is the chief executive officer of NM PRC. As one of pioneers of venture-capital of China, Mr. Feng possesses extensive experience and knowledge of both domestic 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.

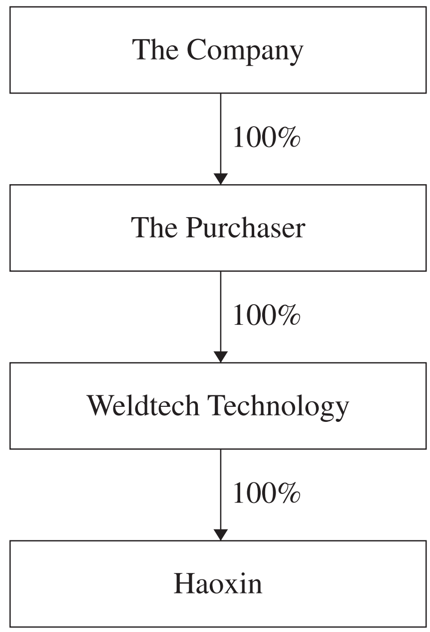
SHAREHOLDING STRUCTURE OF THE WELDTECH GROUP

Set out below is the shareholding structure of the Weldtech Group (i) As at the Latest Practicable Date; and (ii) immediately after Completion:

(i) As at the Latest Practicable Date



(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 invested in the Weldtech Group, 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 entities 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 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**"). Ms. Lui, aged 47, 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 from 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.

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 which is in turn 100% owned by the CECEP. 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 exclusively 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.

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 recorded a net profit before tax of approximately HK$13.1 million for the year ended 31 December 2012 and recorded a net loss before tax of approximately HK$88.9 million for the year ended 31 December 2013. 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 made 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

The patents owned by the Weldtech Group confer on the Weldtech Group the exclusive rights for application of the UPPC System in the PRC, which provides the competitive edge to its business by reducing its reliance and cost on technology to be otherwise provided by external parties.

(ii) The Weldtech Group has its own research and development team

The research and development team (**"R&D Team"**) of the Weldtech Group assists the Weldtech Group to enhance their operations and streamline the processes with the latest technology available in the market. Having its own R&D Team would also allow the Weldtech Group to rectify and improve its energy saving solutions when problems arise, and continuously explore and seek to advance its current technology.

(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*

The strategic investors provide the relevant business connections within the industry that could favour the business and future development of the Weldtech Group. Given that the energy saving solutions and energy management contracts of the Weldtech Group target cooperation with industrial and commercial premises, the Company believes that connections with such entities in the PRC could assist the Weldtech Group in marketing its services and solutions to the target customers in the PRC.

(iv) *Under a sharing of energy savings through EMC, one of the key revenue models of Weldtech Group, the Weldtech Group shares a pre-determined percentage of the electricity expenses of the customers saved after the adoption of the UPPC System over a term of about five years or more, which provides a recurring and steady cashflow for the Weldtech Group*

A recurring and steady cashflow is important to the growth and long term development of the Weldtech Group. The Company believes that the revenue model of the Weldtech Group, particularly the EMCs which charge customer at periodic intervals as they adopt the UPPC System, contributes to steady cashflow stream and hence the sustainability of 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 about the future prospects of the energy saving business of the Weldtech Group and therefore decides to relaunch and 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, the implementation of several HVAC energy saving technologies, including the UPPC System, are expected to get financial subsidies. HVAC accounts for a large proportion of energy consumption in commercial buildings and industrial plants in the PRC. Meanwhile, improving social energy saving awareness sets more opportunities for HVAC energy saving retrofits.

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 in building energy conservation during "The 12th Five-Year Plan";

(ii) the 12th Five Year Building Energy Saving Special Plan issued by MOHURD 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 reach RMB400 billion by 2015;

(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 ten months ended 31 October 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 expenses.

According to the management of the Weldtech Group, the profitability of the Weldtech Group will be significantly improved once more projects are completed, as the abovementioned fixed overhead items may be economically shared by the increased number of projects. The increased number of projects will provide increased cashflow which can be utilised 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 nineteen (19).

The Company does not expect the Weldtech Group to contribute any material profits to the Group for the year ending 31 December 2014. 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, the Company notes that if operating under the current model, it is expected that 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 operation plan of the Weldtech Group for the next 24 months mainly include the following business initiatives:

- strengthening the team of the Weldtech Group by recruiting additional sales persons to broaden sales coverage. The Weldtech Group also plans to hire additional engineers to further improve the UPPC System and develop related products to enhance product portfolio;

- improving sales channels by leveraging the resources of the strategic partners to reach out to new customers and provide the UPPC System to the buildings owned or managed by the strategic partners;

- gaining repeated business from existing customers through constant communication with customers to tailor the UPPC System solutions to the needs of their existing or new buildings;

- strengthening the market position of the Weldtech Group in Eastern China and launching marketing initiatives including participation in technology conferences and exhibitions and expansion of sales offices to explore the Southern China market; and

- improving the functionality and efficiency of the UPPC System through internal research and development as well as exploring other energy saving product opportunities.

The allocation of the HK$200 million working capital for the Weldtech Group in the 24 months includes approximately HK$170 million in the first 12 months and approximately HK$30 million in the second 12 months.

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its requirements for the next 12 months from the Latest Practicable Date.

Although fund raising exercises are not necessary to ensure the working capital sufficiency of the Enlarged Group for the next 12 months from the Latest Practicable Date, the Company nevertheless plans to conduct fund raising exercises in 2014 for further capital needs, including but not limited to, future investments of the Group and further development of the business operations of the Enlarged Group assuming completion of the Acquisition. Further, the Company and the Weldtech Group mutually understand that the fund raising plan for further capital required for the business development of the Weldtech Group has been taken into account of as part the Company's operation plan for the next 24 months. The Weldtech Group may also make decisions on the take-up of new projects depending on the availability of funding.

The Company has from time to time been exploring possible fund raising opportunities. Such possible fund raising opportunities being explored include bank loan or other borrowings, further exploration for potential investors, and/or other possible fund raising exercises. The Company has also from time to time been exploring equity or debt financing alternatives, including but not limited to, placements of Shares and/or convertible securities of the Company, and has been liaising with placing agents and securities firms on possible fund raising activities. As at the Latest Practicable Date, no concrete details and arrangements of any possible fund raising activities have been agreed.

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; and

(v) the factors set out in the section headed "Factors in determining the Consideration" above in this circular.

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 Latest Practicable Date, 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.

In the short-term, the Company is of the view that the driving factors to the development of the energy saving industry in China, including the national policy advocated by the PRC government in relation to the promotion of energy saving industries and the respective subsidy proposals would allow the Weldtech Group to thrive on its growing customer base and hence build an extended network of commercial/industrial buildings that would create a demand to the energy saving solution offered by the Weldtech Group. Accompanied by the strategic partnerships and cooperation arrangements engaged by the Weldtech Group, the Company is positive about the expected growth in the number of new projects.

In the long-run, the Company plans to assign management personnel into the management team of the Weldtech Group, or enter into service contracts with senior management of the Weldtech Group as and when appropriate, in order to ensure a continuous development and growth of the business under the Weldtech Group. Apart from the Strategic Partnership Agreements and Cooperation Agreement currently in place, the Company would continuously explore business opportunities and seek possibilities for expansion of the Weldtech Group. With regard to the funding of the operations under the Weldtech Group, the Company would from time to time review the need of additional funding, and make plans for raising the necessary capital for the business under the Weldtech Group as and when appropriate.

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. The recent re-visit to the investment in the Weldtech Group has also included observing and monitoring its business development, and understanding the technology via the Technical Review. As such, the Company is of the view that its management possesses a certain extent of knowledge and experience in the operation and industry of the Weldtech Group that would be constructive to its future management of its business under the Enlarged Group. While the current management at operation level of the Weldtech Group are expected to be retained for their expertise and technical skill sets required for the ongoing development of the business, the Company also intends to recruit new personnel in preparation for the Acquisition. Further, the Company would like to emphasise that the Company would exert influence and supervision on the overall management, business planning and development direction of the Weldtech Group. The ultimate decision-making power of key matters of the Weldtech Group will still be vested in the Company. 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 Latest Practicable Date, the Company has not entered and has not proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed 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.

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. The Company will consider nominating directors and/or senior management of the Company to the board of the Weldtech Group upon completion of the Acquisition and when necessary and appropriate in order to ensure control over the Weldtech Group. Upon completion of the Acquisition, the Company also plans to set out clear instructions with regard to the differentiation of the key responsibilities, for instance, the management decisions on the overall business direction of the Weldtech Group, ultimate decision making of financial and personnel strategies of the Weldtech Group to be approved by the Company; while daily operation and technical issues in relation to the patented technology of the Weldtech Group to be managed by the existing management of the Weldtech Group in order to exert sufficient control over and ensure the effectiveness of the existing management of the Weldtech Group. The Company also plans to seek advice from professional parties externally to enhance the Company's overall efficiency and effectiveness in managing the business of the Weldtech Group as and when appropriate or necessary.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

In view of the Group's intention to carry on with its existing principal business as mentioned above, the Group will continue to carry out its business in investment holding, treasury investments and provision of loan financing, as well as strengthening its overall financial position, while developing the additional business resulting from the Acquisition side by side in order to enhance the diversity of the Group's revenue stream.

In terms of the energy saving solution business of the Weldtech Group, upon Completion, the Enlarged Group will continue to design and provide energy saving solutions to cover the needs from commercial and industrial sectors, and expand its sales and operations geographically across the PRC and overseas. The business model of the Weldtech Group, as part of the Enlarged Group, will be fully developed upon the execution of the business plan as set out below.

The Company is of the view that the Acquisition will allow the Group to strengthen its overall financial position and is positive about the trading prospects to be brought along by the business opportunities from the Acquisition. The Company also believes that with the continuous partnership involved with the management and the strategic partnerships currently engaged by the Weldtech Group, also in view of the accumulating market and industry experiences of the Weldtech Group, the energy saving solution business will continue to improve and contribute positive impacts to the Group's overall performance. The Group will also from time to time explore other investment opportunities in order to diversify its business portfolios.

Business plan

The UPPC System of the Weldtech Group is applicable to a wide range of commercial and industrial sectors in the PRC and overseas markets, including but not limited to semiconductor, pharmaceutical, steel, automobile, hotels shopping arcades, office and governmental buildings. As at the Latest Practicable Date, 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) 34 contracts which are targeted to be signed[2] between now and around the first half of 2014, including 27 EMCs and 7 buyout contracts, with expected term of contract ranging from 5 to 8 years, and; (iii) 88 potential projects under review and in the process of negotiation, including 63 EMCs and 25 buyout contracts, with expected term of contract ranging from 5 to 8 years. The majority of the signed contracts have been entered into with reputable conglomerates or property developers and as at the Latest Practicable Date, 9 of them are companies listed on the Stock Exchange.

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 3 projects whereas currently, the number of completed projects is 19. It is expected that about 90 new projects will be engaged by the Weldtech Group for the financial year ending 31 December 2014.

[2] 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.

The Directors consider that the Weldtech Group should focus more on EMC sales at the early stage of operation in order to gain the market share. In the coming future, when the UPPC System and the technology become more mature and customers become more familiar with the UPPC system, the management of the Weldtech Group expects the demand and number of buyout sales will gradually increase.

For the first several years after Completion, the Weldtech Group will focus on expanding its operation in first tier cities such as Beijing and Shanghai where population and energy consumption level of commercial and industry buildings are relatively higher than those in the second and third tier cities. In terms of geographical location, currently 11 of the existing projects are undertaken in Eastern China, 3 projects in Southern China, 2 projects in Western China and 3 projects in Northern China. The management of the Weldtech Group expects that in 2021, about 30%, 30%, 10%, 20% and 10%, of the total revenues will be generated from Eastern China, Southern China, Northern China, Western China and Overseas markets, respectively.

For purposes of this circular:

Eastern China includes Shanghai, Zhejiang, Jiangsu, Shandong, and Anhui Provinces;

Southern China includes Guangdong, Fujian, Jiangxi, Hunan, and Hainan Provinces;

Northern China includes Beijing, Tianjin, Henan, Hebei, Liaoning Provinces, and Inner Mongolia;

Western China includes Sichuan, Chongqing, Hubei, Yunnan, and Guizhou Provinces; and

Overseas markets includes Hong Kong, Macau, Taiwan, and South East Asia.

Meanwhile, the Directors and the management of the Weldtech Group consider that the existing market is relatively fragmented and the market share for Weldtech Group is not significant. However, it is expected that the increased awareness of energy saving and social responsibility will continue to provide ample opportunities for the UPPC System retrofit.

The management of the Weldtech Group expected that the above development plan will be achieved via geographical expansion of the existing business and vertical penetration into the industry segments where the key customers and corporate accounts are identified. In order to cater for the future business growth, the Weldtech Group is expected to recruit additional employees and the total number of employees of the Weldtech Group projected for the respective years is as follows:

	2014	**2017**	**2020**	**2023**	**CAGR**
Sales personnel	20	40	80	140	24.1%
Engineers	44	57	103	170	16.2%

The success of the execution of the above development plan will be supported by continuing research and development initiatives and marketing plans. On the research and development side, the Weldtech Group is researching on chiller intelligent protector, simulated annealing algorithm with real time control, airside energy optimization and heating system control solution, lighting and energy monitoring systems, details of which have been disclosed in the section headed "Information on the Weldtech Group" above.

To enhance public recognition of the Weldtech Group and the UPPC System, the Weldtech Group will advertise and create comprehensive marketing campaign through interaction with government, industries and media.

Market and competition

The Weldtech Group is a service provider in the chiller plant control optimisation market. Its target clients include commercial buildings, industrial buildings and public facilities/arenas that are installed with centralised air-conditioning systems. The Weldtech Group also pays special attention to certain sectors including semiconductor, automobile and chemical fiber manufacturers, where demand on air-conditioning is high due to its manufacturing process and stringent requirements on product standard.

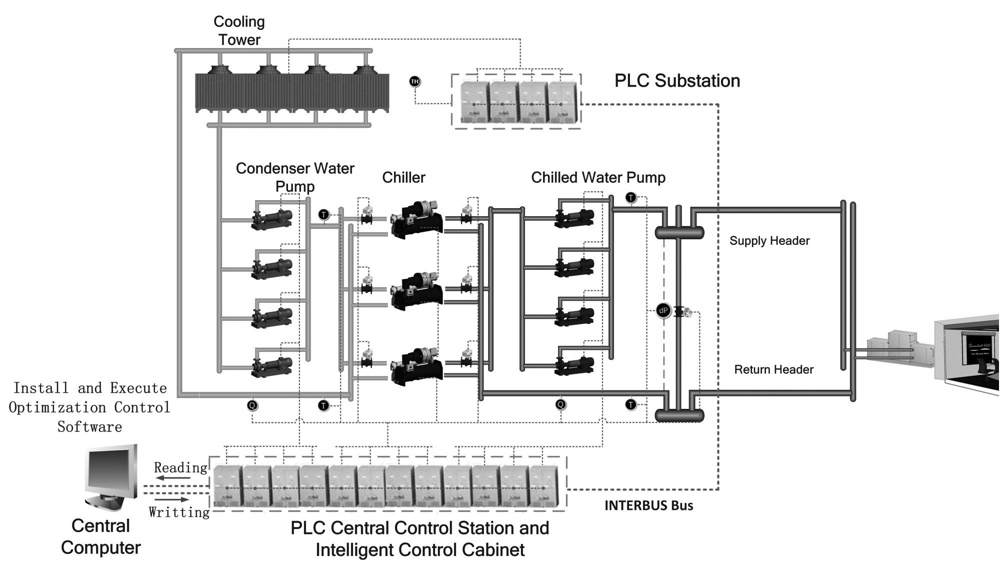
Based on information provided by Ipsos Business Consulting, some key players in the market include Shenzhen DAS Intellitech Co., Ltd, Guizhou Huitong Huacheng Co., Ltd., Shenzhen Coolead Industry Co., Ltd., and Tsinghua Tong Fang Co., Ltd. Since the energy saving services in relation to air conditioning systems, in particular, are relatively new to the market, to the best of our knowledge, there is no relevant industry study on the PRC market share that has ever been conducted in this particular field.

Strengths, strategies and future plans

The UPPC System is effective in energy saving and is considered a highly competitive product in the chiller plant optimisation market. It contains certain unique features which gives it the technological edge and competitive advantages, and the UPPC System is more advanced than the other energy saving systems in the PRC. In particular, most of the software-based energy saving solutions in the market solely focuses on lowering the energy consumption level of one particular component in the air-conditioning system thus only controlling one specific component at one time. The downside of this type of software is that, while lowering the energy consumption in that particular component, it creates extra loading in other components in the system, the lack of co-ordination would result in an increase in the overall energy consumption of the entire system thus causing energy wastage. The lack of coordination also potentially weakens the energy saving capability of these energy saving technologies. Other software-based energy saving solutions achieve energy saving through reduction in output level which, however, limits the effectiveness of the air-conditioning system, and the air-conditioning system would fail to reach pre-set temperatures. Hardware energy saving solutions usually involve replacement of the old components in the air-conditioning system with new ones. These new components are designed with improved energy-saving technology and thus energy consumption can be reduced effectively. However, cost incurred in these replacements is significantly higher.

The UPPC System is a software-based energy saving solution which achieves energy saving targets by analysing real time operating data of each component in the air-conditioning system to calculate the optimal output level of each component in the system. The design of the UPPC System incorporates automatic workload optimisation on a real-time basis whilst most of the other technologies update the specific commands on a pre-determined time interval. Through the EMC arrangement, building owners do not need to incur costs in purchasing new components and the full effectiveness of the air conditioning system will not be hindered. The UPPC System is a model-based control system with patented optimisation algorithm, and the software will be installed to analyse real-time operating data of chiller plants to formulate optimisation control solution. The remote control and adjustment functions reduce the manpower required to work on-site in the chiller plants. The design of the UPPC System interface can be tailored to each individual chiller plant, and the software is compatible with mainstream operating system such as the Windows. The UPPC System is a unique energy saving solution offered in the market, outperforming other hardware or software-based energy saving solutions.

The UPPC control mechanism



- Unified control on the central air conditioning system via industrial programmable logic controllers ("**PLCs**") and optimization algorithm, which is "The Brain" of the UPPC System

- Temperature and pressure sensors are installed at key positions in the system to monitor operation of components on a real time basis (such as temperatures of cooling tower and pump)

- Having analysed these data, the mainframe computer calculates and determines on a real time basis the optimal levels of pressure and temperature required at the key positions

- PLCs is a digital computer used for automation of electromechanical processes. Through the PLCs, the mainframe computer adjusts the workload of each equipment and commands actuators to alter the speed of fluid flow

- A variable-frequency drive (“**VFD**”) is used to control pumps and chillers for partial load optimisation. It is a type of adjustable-speed drive used in electro-mechanical drive systems to control the air conditioning motor speed and torque by varying motor input frequency and voltage. VFDs are used in the UPPC System to control the speed of fluid flow in order to ensure that overall electricity consumed is just sufficient for maintaining the optimal levels of pressure and temperature

Hardware

VFD PLC Sensors

The UPPC System is currently the main product of the Weldtech Group. According to the Vendors, the management of the Weldtech Group will explore other energy saving opportunities going forward such as airside energy optimisation heating system control solution, lighting and energy monitoring system, system stability and error diagnosis systems and other similar energy saving products through internal research and development, acquisition or partnership with other players in the industry. These plans are still in the preliminary stage of exploration. The Company and management of the Weldtech Group will continue to identify potential business expansion opportunities for the Weldtech Group.

With regard to the products and technology of the Weldtech Group, the Company has understood from the business plan presented by management of the Weldtech Group the energy saving solutions provided under its business, including the software and hardware involved, comparison of its patented technologies against other solutions available in the market, with reference to the Technical Review for the UPPC System.

The Weldtech Group’s strategic shareholders, including CITIC Group, CECEP, CCBIAM and Shanghai NewMargin Ventures, are resourceful companies with extensive business networks which could provide further business support to the Weldtech Group, particularly in the area of sales and marketing which the management of the Weldtech Group believes is a definite advantage over its competitors in the market.

The Weldtech Group has a strong customer base with its existing customers consisting of international and national organisations across different sectors. In addition, many of the Weldtech Group’s existing customers, such as those property developers, property managers and hotel chains have multiple project sites that are suitable for the installation of the UPPC System. The Weldtech Group believes that it is its core marketing strategy to generate repeat business from its existing clients. Moreover, the management of the Weldtech Group believes that once there are solid business relationships established with its existing clients, there will be a good chance for the Weldtech Group to introduce related energy saving products to them as described above.

Suppliers, raw materials and inventory

The UPPC System's hardware includes mainframe computer, industrial programmable logic controller (PLC), control panels and different types of sensors and actuators. The Weldtech Group sources the hardware components both from standard equipment suppliers (for standard components such as sensors and actuators) and from independent original equipment manufacturers (OEMs), and then engages qualified sub-contractors to assemble each hardware component and connect them to each of the chiller plant components according to the installation plan, and eventually integrates its self-developed software with the hardware components to deliver the UPPC System.

The Weldtech Group does not engage in active production activities except for software development, thus, it does not purchase raw materials.

The Weldtech Group's inventory requirement is low as its order for hardware components are, in general, on a project basis and it keeps selected hardware components for maintenance purposes only.

With regard to the suppliers of the Weldtech Group, the Company has sought advice from professional parties including the auditor and valuer of the Company to review the contracts and agreements signed between the Weldtech Group and its suppliers in order to understand the expenses and costs of the business.

Going forward, it is expected that the Weldtech Group will purchase an increasing portion of hardware locally in the region/city in which the project is located so as to lower the transportation cost.

The Weldtech Group maintains a list of qualified suppliers for each of the major components of the UPPC System. The management of the Weldtech Group considers that there is no reliance issue on major suppliers as there are available substitute suppliers. The Weldtech Group maintains frequent communication with the qualified suppliers. Moreover, the components are commonly used in the market and the Weldtech Group believes that the availability of components is stable.

The table below summarises the purchases from major suppliers and recorded in cost of sales for the periods indicated. All of the suppliers are located in Eastern China:

	Nature of Business	For the year ended 31 March 2012 *(HK$'000)* *(% of Group cost of sales)*	For the period from 1 April to December 2012 *(HK$'000)* *(% of Group cost of sales)*	For the period ended 31 October 2013 *(HK$'000)* *(% of Group cost of sales)*
Supplier A	OEM	6,823 *(28.6%)*		
Supplier B	OEM	5,658 *(23.7%)*		
Supplier C	Sub-contractor	1,687 *(7.1%)*	953 *(8.5%)*	
Supplier D	Sub-contractor	1,484 *(6.2%)*	1,342 *(12.0%)*	1,360 *(20.4%)*
Supplier E	OEM	1,189 *(5.0%)*		
Supplier F	OEM		625 *(5.6%)*	
Supplier G	Sub-contractor		622 *(5.6%)*	
Supplier H	OEM		1,853 *(16.5%)*	1,263 *(19.0%)*
Supplier I	Sub-contractor			947 *(14.2%)*
Supplier J	OEM			802 *(12.0%)*
Supplier K	OEM			1,128 *(16.9%)*

Production, quality control, products and services, pricing analysis

The Weldtech Group is engaged in software development. It does not carry out production and acquires most of the hardware from suppliers and outsources most of the construction work to sub-contractors.

A designated project manager is assigned to each project with assistance from its in-house technical team to closely monitor not only the quality of the hardware from its suppliers, but also every stage during the installation process.

To ensure high quality of hardware components, the Weldtech Group employs a systematic and detailed supplier selection process which takes into consideration the production capacities, technical and equipment advancement, after-sale services, as well as geographical coverage of the maintenance services when selecting standard equipment supplier and OEM.

In order to select appropriate components for the UPPC System, the Weldtech Group's research and development department conducts testing on various components of different brands. The research and development team conducts testing and screening on a regular basis.

For OEM quality control, the Weldtech Group has put in place measures to ensure product quality and stable performance, including close communication with OEM during the manufacturing process, full inspection of finished products, and annual assessment for each OEM. For sub-contractors, the Weldtech Group mainly works with PRC-based enterprises with extensive experience and knowledge in machineries installation.

The Weldtech Group's key product is the UPPC System. The UPPC System is an integration of both hardware and software. The software is a mathematical program that acts like a ''brain'' which analyses operating data of the chiller plant, calculates the optimal control solution (maximise efficiency and minimise energy usage) and issues control command accordingly. The hardware is connected to each individual chiller plant component, and collects and transmits operating data to the software for processing and executes control commands issued by the software. The hardware and software co-ordinate the performance of the chiller plant together and achieve optimisation and energy saving results.

During the project evaluation phase, the Weldtech Group estimates the energy saving rate and construction costs of each project on an individual project basis and determines the price after taking into account the contract life, the sharing ratio of energy savings and target gross margin. Normally, the Weldtech Group maintains an average gross margin ranging from 50% to 60% for EMC projects.

For buyout projects, an upfront discount on the estimated energy savings will be given as the buyer pays the lump sum upon completion of the project as compared to EMC contracts. The percentage of discount is subject to commercial negotiation.

Revenue and costing analysis

The Weldtech Group mainly provides its UPPC System to clients under the EMC model but also conducts buyout sales. Under the EMC model, the Weldtech Group provides its UPPC System and energy saving services to a customer and in return, the customer agrees to share with the Weldtech Group a predetermined percentage of the energy saving during the term of the EMC contract. The Weldtech Group also offers its UPPC System by buyout sale, where it sells the UPPC System to a customer for a lump-sum payment which varies with the scale of the projects.

The projects are classified by the projected annual energy saving bands. In practice, the pricing and cost estimates of each project are determined individually based on project sizes and requirements. As the Weldtech Group acquires most of the hardware from vendors and outsources most of the construction work to sub-contractors, the labour and project management costs for projects of different sizes do not differ materially. The major difference between different project scales is primarily the cost of hardware which is dependent on the complexity and size of each project.

The average gross profit margin of the Weldtech Group's project ranges from 50% to 60% and the actual prices charged depends on the estimated energy savings and contract terms. Cost of goods sold mainly consists of cost of hardware, including mainframe computer, PLC, control panels and different types of sensors and actuators, and installation costs. Approximately 65% of cost of goods sold is attributable to hardware costs and approximately 35% is mainly engineering and installation costs.

Capital requirement

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 the rolling out of its operation plan for the next 24 months, which has also been taken into account for the assessment of the working capital sufficiency of the Enlarged Group for the next 12 months. The allocation of the HK$200 million working capital for the Weldtech Group in the 24 months includes approximately HK$170 million in the first 12 months and approximately HK$30 million in the second 12 months. According to the Vendors, the assessment of the HK$200 million working capital was based on their estimation on: (1) the number of projects to be engaged in 2014 and 2015; (2) the expected six-years average contract life for the EMC projects; (3) the estimated sharing ratio of 85% for the first three years of the EMC contracts, and 60% for the subsequent 3 years; and (4) the estimated average for the account receivable credit period of two months for the projects. The Company intends to fund the required working capital with 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 as at the Latest Practicable Date.

It is expected that the Weldtech Group would require a limited amount of capital investment for its expansion plan as the majority of installation works are outsourced and the sales and project management personnel and engineers to be hired only require standard office furniture and computers. The aggregate capital expenditure, excluding construction costs of projects, of the Weldtech Group in the next 12 months is expected to be below RMB1.5 million, which is estimated based on the forecast headcount and the historical amount of capital expenditure for new hires. Such aggregate capital expenditure has been included in the HK$200 million working capital required by the Weldtech Group in the next 24 months. Currently, the management of the Weldtech Group does not have any plan for other future investment.

Sales and marketing

As at the Latest Practicable Date, the Weldtech Group's sales and marketing team consisted of 13 staff members who are responsible for the promotion of the Weldtech Group and the UPPC System via marketing activities such as collaborations with government authorities, participating in energy saving forums and delivering periodic seminars to public and corporations. The Weldtech Group currently focuses its marketing strategy on expanding its market share in the PRC and expects the number of sales personnel in PRC sales offices will increase to 20 sales staff members by the end of 2014.

The Weldtech Group will continue to increase the headcount of its sales team and set up additional sales offices in the first-tier cities, corresponding to the future business growth.

The Weldtech Group utilises both direct and indirect sales channels. Its sales approach is tailored to address customers' concerns on technical feasibility of energy saving and the commercial advantages of implementing the UPPC System. The Weldtech Group takes a comprehensive approach in sourcing projects and promoting the company. Major sales and marketing channels include personal network of sales engineers, personal network of senior management, referrals from strategic partners and shareholders, referrals from existing clients, repeat businesses from existing clients, participation in tender, and others public channels such as exhibition and industry associations.

Customers

The Weldtech Group has a strong customer base with its existing customers consisting of reputable international and national organisations across different sectors including property developers, property managers, hotel operators, government departments, and various manufacturers. Many of these customers are leaders in their respective industry and well-known for their high standard of requirements. As at the Latest Practicable Date, 9 of them are companies listed on the Stock Exchange.

With regard to the customer of the Weldtech Group, the Company has reviewed the business plan presented by the Weldtech Group, the list of projects signed, to be signed and in negotiation, respectively, with extracts of such agreements obtained from the management of the Weldtech Group. The Company has also communicated with the management of the Weldtech Group to understand the customer base of its business.

In terms of geographic locations, the Weldtech Group does not have a specific geographic allocation in terms of target customers. However, focus will be placed on Eastern and Southern China in the near future based on the following reasons:

- the Weldtech Group is located in Shanghai (Eastern China) with its technical team and network well established; and

- similar to Eastern China, Southern China is a well-developed region in the PRC. The population of potential customers is considered to be significant (i.e. industrial-like factories and commercial-like shopping arcades). Also, due to the relatively warm and humid weather conditions in Southern PRC, chiller plants normally command larger scale as well as higher utilisation rate, representing the ideal applications for the UPPC System.

The table below summarises the revenue from major customers of the Weldtech Group in the periods indicated:

Customer	Location	Nature of Business	For the year ended 31 March 2012 *(HK$'000)* *(% of Group sales)*	For the period from 1 April to 31 December 2012 *(HK$'000)* *(% of Group sales)*	For the period ended 30 October 2013 *(HK$'000)* *(% of Group sales)*
Customer A	Eastern PRC	Semiconductor manufacturing	7,474 *(25.1%)*		
Customer B	Eastern PRC	Automotive manufacturing	20,030 *(67.5%)*	2,849 *(14.4%)*	
Customer C	Eastern PRC	Semiconductor manufacturing		6,624 *(33.4%)*	
Customer D	Southern PRC	Automotive manufacturing		3,017 *(15.2%)*	
Customer E	Eastern PRC	Commercial property			4,546 *(24.6%)*
Customer F	Eastern PRC	Hotel			2,643 *(14.3%)*
Customer G	Western PRC	Commercial property			1,837 *(10.2%)*
Customer H	Southern PRC	Electronics manufacturing			2,760 *(14.9%)*

Since: (i) the existing customers and target customers operate in different industries; (ii) the customers are located in different cities in the PRC; and (iii) the projects under discussion come from a number of new customers and are not limited to existing customers, there is no reliance issue on major customers.

Research and development

As at the Latest Practicable Date, the Weldtech Group has a research and development team consisting of 12 engineers, all of whom had completed tertiary education and an average of five years of experience in the industry. The research and development team is responsible for the research of latest energy-saving technologies on optimising air-conditioning system and development of the most suitable solutions and applications of the UPPC System for the customers. Upon Completion, the Weldtech Group will continue to improve the efficiency of the existing UPPC System and to develop the new mathematical algorithm for the new generation UPPC System and broaden the scope of other building energy saving solutions.

The Weldtech Group expects to allocate approximately 1.5% of its total revenue annually for its research and development. The Weldtech Group plans to recruit 4 research and development personnel to enhance its research and development ability and increase the team headcount to 16 by the end of 2014.

The research and development department is responsible for upgrading existing systems, developing new products, and advising on and participating in project execution processes. In addition, it also tests and compares components of different brands, determines product specifications, components requirements and the preferred brands for various components.

Licences and permits

The Weldtech Group is involved in the industry of the provision of UPPC energy saving service, which will not generate any environmental pollution, and hence does not require additional approvals or permits with respect to environmental protection, and there is no applicable law or regulatory risk relevant to environmental protection. According to the management of the Weldtech Group, the Weldtech Group possesses all the necessary licenses and permits for its operations.

FINANCIAL EFFECTS OF THE ACQUISITION

Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV of this circular, the financial effects of the Acquisition are summarised below:

Earnings/Loss

For the year ended 31 December 2013, the loss before income tax expense and loss attributable to owners of the Company were approximately HK$88.9 million and HK$91.1 million respectively. As set out in Appendix IV of this circular, assuming 1 January 2013 was the date of the Completion, the unaudited pro forma loss before income tax expense of the Enlarged Group for the year ended 31 December 2013 would have been approximately HK$345.1 million and loss attributable to owners of the Company for the year ended 31 December 2013 would have been approximately HK$330.0 million.

Assets and liabilities

As shown in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV of this circular, the respective pro forma total assets and pro forma total liabilities of the Enlarged Group following the Acquisition would have amounted to approximately HK$2,489.8 million and approximately HK$1,180.2 million as compared to the respective total assets and total liabilities of the Group amounting to approximately HK$397.9 million and approximately HK$74.6 million as at 31 December 2013 before the Acquisition, representing an increase of approximately HK$2,091.9 million in total assets and approximately HK$1,105.6 million in total liabilities.

The Directors have reviewed the carrying value of goodwill of the Enlarged Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("**HKAS 36**"), taking into account the independent valuation report, prepared by Grant

Sherman Appraisal Limited, an independent professional valuer. Based on the valuation report, the Directors are of the opinion that there are no indications that the value of the goodwill of the Enlarged Group may be impaired in respect of the intangible assets and goodwill with an assumed fair value of approximately HK$823,172,000 and HK$1,209,054,000 respectively, as shown in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2013.

The Directors will carry out impairment review of the goodwill of the Enlarged Group with reference to an independent valuation report, which will be prepared under the same principal assumptions and valuation method in the future financial statements. It is the responsibility solely of the Directors to ensure that the Company is adopting and will continue to adopt consistent accounting policies and ensure that the principal assumption of the valuation for assessment of the impairment of the Enlarged Group's intangible assets and goodwill are consistent for future annual audit of the Group.

The reporting accountants concurred with the Directors' assessment of impairment in the intangible assets and goodwill in the unaudited pro forma financial information and adoption of consistent accounting policies and principal assumptions in the preparation of consolidated financial statements of the Group after the Completion of the Acquisition.

EGM

The EGM will be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Wednesday, 30 April 2014 at 11:30 a.m. for the purpose of considering and, if thought fit, approving 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. The notice convening the EGM is set out on pages 248 to 250 of this circular. A form of proxy for use at the EGM is also enclosed to this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Whether or not you are able to attend the EGM and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same at the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish (as the case may be).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Director or Shareholder or its associates has a material interest in 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, which is different from the other Shareholders, and no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM.

RECOMMENDATION

The Directors consider that the terms of the Acquisition are fair and reasonable and is in the interests of the Company and the Shareholders as a whole and is for the benefits of the Shareholders, and accordingly, recommends the Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM 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.

ADDITIONAL INFORMATION

Your attention is drawn to the Appendices of this circular, including the valuation report and the reports on profit forecast set out in the Appendices V to VI of this circular.

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

This section contains certain information which is derived from official government publication and industry sources as well as a report the Company commissioned from Ipsos Hong Kong Limited, an Independent Third Party.

The Directors wish to point out that the Circular contains information extracted from the report prepared by Ipsos Business Consulting, a division of Ipsos Hong Kong Limited, which reflects estimates of market conditions and based on their systematic and credible independent research methodology. Information and advices involved in such report are extracted from objective primary/secondary research and cross checked by Ipsos Business Consulting industry expert. The report is developed in objective manner without any arbitrary information or opinion from Ipsos Business Consulting.

Ipsos Hong Kong Limited is a subsidiary of Ipsos SA ("**Ipsos**"). Ipsos was founded in Paris, France, in 1975 and was publicly-listed on the NYSE Euronext Paris in 1999. Ipsos acquired Synovate Ltd. in October 2011 and afterwards became the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

INTRODUCTION

Weldtech Technology is a company incorporated in Hong Kong and its principal asset is its entire equity interest in Haoxin. According to the Vendors, Haoxin provides energy monitoring and energy-saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption and enhance overall energy efficiency of central air-conditioning system via its proprietary UPPC System and other components. Haoxin has its own research and development capabilities, and has developed technology based on the UPPC System so as to broaden the scope and applications of their energy-saving solutions services.

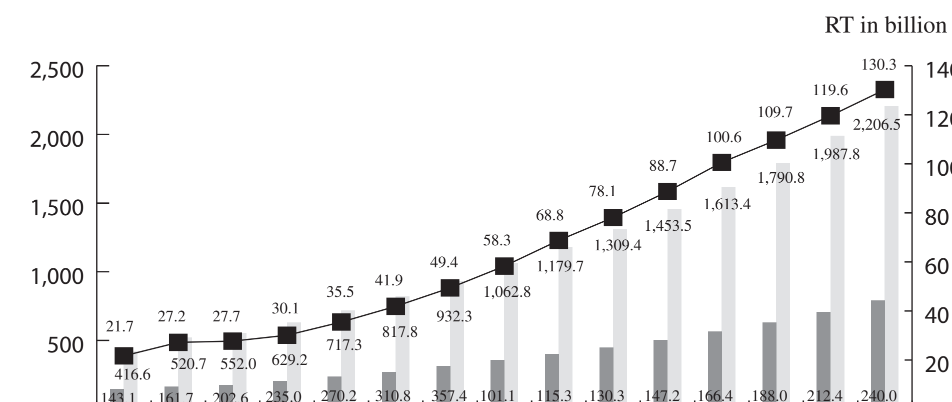
The UPPC System is a form of energy-saving solution and is designed to optimise the energy efficiency of cooling plants installed in buildings. A typical cooling plant comprises chillers, chilled water pumps, condenser water pumps and cooling towers. The UPPC System, which is an integration of both hardware and software, acts like a brain for these components of a cooling plant to co-ordinate their performance and ultimately achieves energy-saving result, which is optimal for the whole cooling plant instead of a single unit within such plant. It utilizes model-based supervisory control over all cooling plant units instead of separate, loop-based passive control used in traditional cooling plants in the market.

OVERVIEW OF THE CHINA AIR-CONDITIONING CHILLER PLANT ENERGY SAVING MARKET

According to the report prepared by Ipsos Hong Kong Limited ("**Ipsos Report**"), it is estimated that the market demand for Chinese Chiller Plant EMC Market in China will ride on a continuous growth from 2014 to 2024. Total market demand value in 2013 was approximately RMB629.2 billion, which represents an approximately 51% growth compared to the total market demand value in 2010 of approximately RMB416.6 billion. This can be attributed to the PRC government policies and increasing energy-saving awareness and sustainable development motivation which are positive drivers for energy-saving market development. As such, a wide range of businesses are beginning to deploy energy-saving solutions to address a broad spectrum of environmental issues.

According to the Ipsos Report, the market demand for Chinese Chiller Plant EMC Market in China is expected to sustain at a compound annual growth rate ("**CAGR**") of approximately 12.6% from 2010 to 2024. CAGR of total market demand value for Chinese Chiller Plant EMC market in target sectors (including office building, automotive manufacturing, pharmaceutical, and semiconductor industries) in China from 2010 to 2024 is expected at approximately 13.0%. CAGR of newly-built chiller plant EMC in China from 2010 to 2024 is expected at approximately 13.7%.

Market Demand Value for Chinese Chiller Plant EMC Market in China from 2010 to 2024



	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Market demand value in target sectors	143.1	161.7	174.6	202.6	235.0	270.2	310.8	357.4	400.3	448.3	502.1	562.3	629.8	705.4	790.0
Total market demand value	416.6	520.7	552.0	629.2	717.3	817.8	932.3	1,062	1,179	1,309	1,453	1,613	1,790	1,987	2,206
Newly-built chiller plant (million RT)	21.7	27.2	27.7	30.1	35.5	41.9	49.4	58.3	68.8	78.1	88.7	100.6	109.7	119.6	130.3

Market demand value in target sectors   Total market demand value   Newly-built chiller plant (million RT)

Source: Ipsos Analysis

Notes: Target sectors include office building, automotive manufacturing, pharmaceutical, and semiconductor industries

Chinese Chiller Plant EMC market is an emerging market mainly driven by central and local government policies and increasing energy-saving motivation. Total market demand value for chinese chiller plant amounted to approximately RMB629.2 billion in 2013, and is expected to reach the record of RMB1,987 billion by 2023, with a CAGR of approximately 12.19%, driven by supportive central and local government policies and increasing energy-saving motivation.

The rationale underlying such growth expectation can be attributed to the following four sections, namely, (i) political; (ii) economic; (iii) technological; and (iv) social aspects.

(i) The political aspect

The expected growth is driven by national policies of the PRC, such as:

(1) "Guidance on accelerating development of EMC and energy-saving service industries" released in 2010 by the National Development and Reform Commission of the PRC ("**NDRC**") and the Ministry of Finance of the PRC. This policy explicitly sets out the incentive of providing subsidies and tax exemption to "energy service companies" ("**ESCOs**"); and

(2) the 12th five-year plan (2011-2015) issued by the PRC Government for PRC's Economic and Social Development ("**The 12th Five-Year Plan**") calls for a major push in domestic energy-saving industry, with a energy saving goal of RMB3.4 trillion. In addition, energy-saving is listed as one of the seven strategic emerging industries in the PRC.

(ii) The economic aspect

The expected growth can be attributable to the following factors:

(1) the EMC business model being favoured by end users for zero investment and guarantee of energy-saving benefit;

(2) increasing electricity cost provides companies with more incentives to procure energy-saving services; and

(3) as great energy-saving potential exists in the PRC, EMC projects can provide ESCOs stable and sound revenue.

Unit Electricity Price in China from 2010 to 2013

Year	Unit electricity price in China		
2010	On-grid price of coal power was hiked up by RMB 0.0032 per kwh since 1 January 2010.		
2011	On-grid price of coal power was hiked by RMB 0.0179 per kwh since 10 April 2011.	On-grid price of coal power was hiked by RMB 0.0201 per kwh since 1 November 2011.	On-grid price of coal power was hiked by RMB 0.0274 per kwh since 29 November 2011.
2012	There was no increase in the power price in 2012.		
2013	On-grid price of coal power was hiked by RMB 0.014 per kwh since 30 September 2013.		

Source: Ipsos Analysis, National Development and Reform Commission (NDRC)

Based on the information provided by the National Bureau of Statistics of China, the total electricity consumption between 2000 to 2010 was recorded with a CAGR of approximately 12.02%, increasing from 1.3472 billion kwh to 4.1934 billion kwh.

According to the U.S. Energy Information Administration, the net electricity generated by China was recorded with a CAGR of approximately 10.97% from 2000 to 2013. Electricity consumption of China is expected to hit a record of 8.0943 billion kwh by 2023.

(iii) The technological aspect

The expected growth can be attributable to the following factors:

(1) HVAC energy-saving technologies have been listed in "Category of National Promotion on Important Energy Saving Technologies — 1, 2, and 3" announced by NDRC, including HVAC frequency variation and intellectual control technologies. Implementations of these technologies are expected to get financial stimulus.

(2) HVAC energy consumption occupies a large proportion in commercial buildings and industrial plants in the PRC, and higher than developed countries, which embraces large potential for HVAC EMC business.

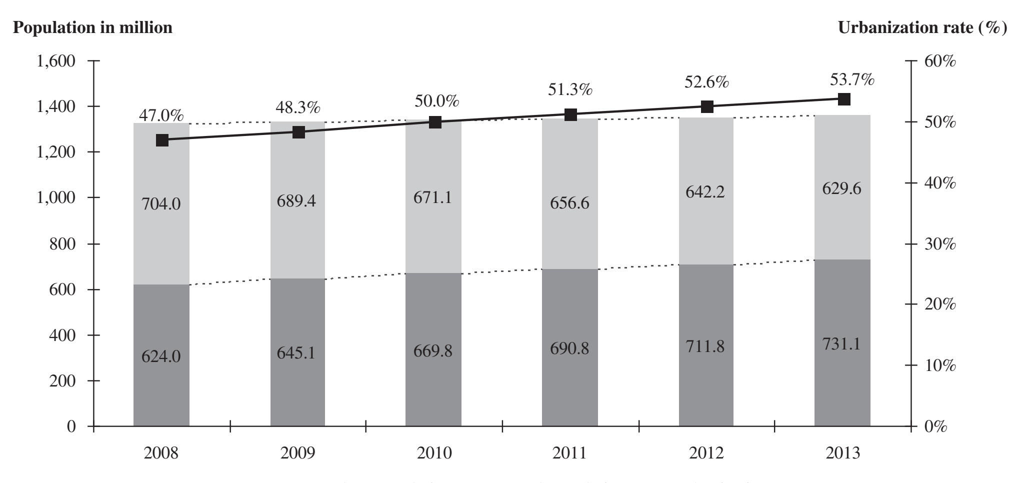
(iv) The social aspect

The expected growth can be attributable to the following factors:

(1) growing urbanization rate promote more demand for HVAC in commercial buildings. Meanwhile, improving social energy-saving awareness sets more opportunities for HVAC energy-saving retrofit; and

(2) more concerns on environmental, health and safety and higher requirement on product quality drives higher requirement on manufacture process, which enhances more demand for central air-conditioner in plants.

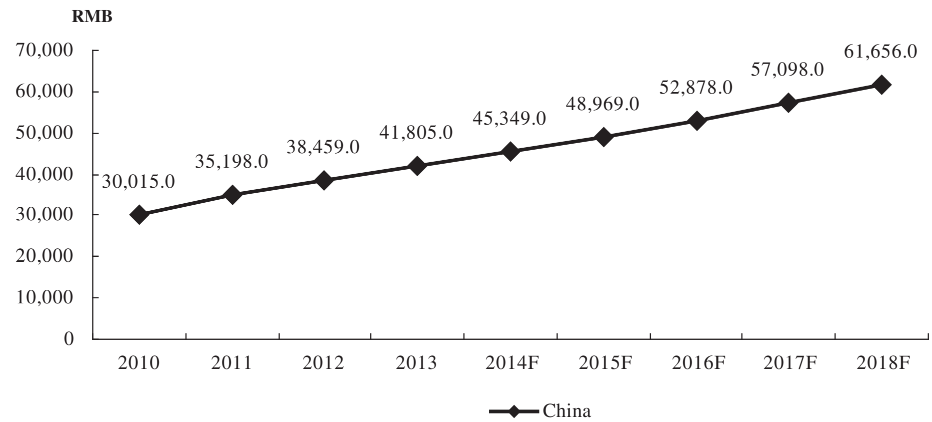
Urbanization Trend in China 2008 to 2013



Source: World Bank; National Bureau of Statistics of China

According to the Ipsos Report, CAGR of urban population in China from 2008 to 2013 was approximately 3.2% and CAGR of rural population in China from 2008 to 2013 was approximately -2.2%.

GDP per Capita in China from 2010 to 2018

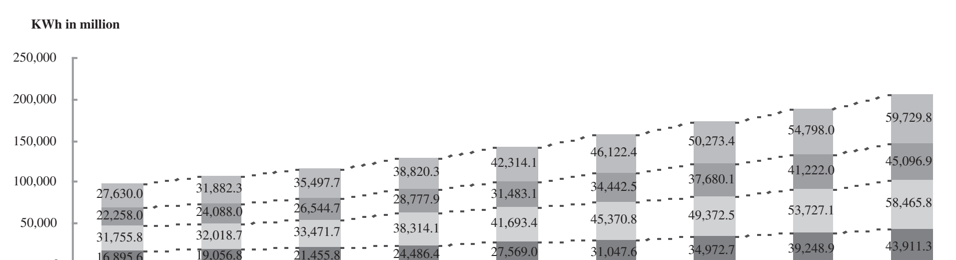


Source: World Bank; National Bureau of Statistics of China

According to the Ipsos Report, CAGR of GDP per Capita in China from 2010 to 2018 is estimated to be at approximately 9.4%.

Factoring the PRC population's urbanization process of migrating from rural areas to metropolises and increased GDP per capita, and the PRC Government's target in meeting a 16% reduction in energy consumption per unit of GDP, the growth potential of the Chinese Chiller Plant EMC market in the PRC is evident and is expected to maintain a sustainable rise in the 12th five-year period (2011-2015).

Electricity Consumption in Target Sectors (Office Building, Automotive Manufacturing, Pharmaceutical, and Semiconductor) in China from 2010 to 2018



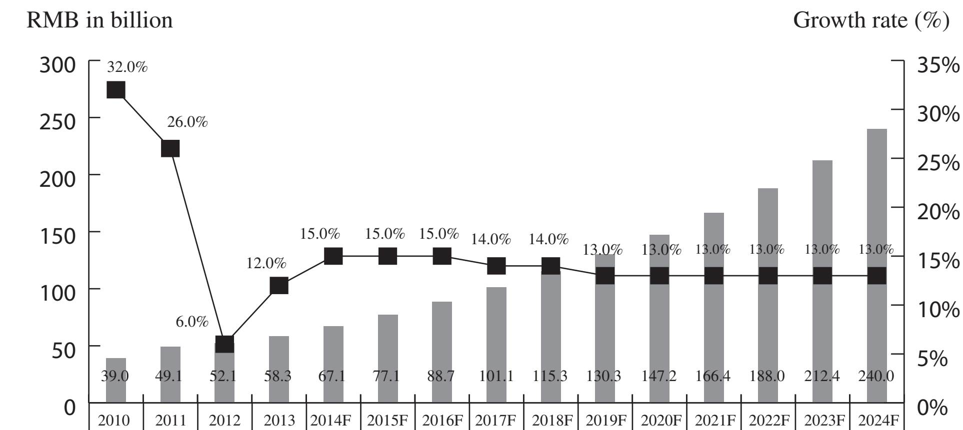
	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
Semiconductor	27,630.0	31,882.3	35,497.7	38,820.3	42,314.1	46,122.4	50,273.4	54,798.0	59,729.8
Pharmaceutical	22,258.0	24,088.0	26,544.7	28,777.9	31,483.1	34,442.5	37,680.1	41,222.0	45,096.9
Automotive manufacturing	31,755.8	32,018.7	33,471.7	38,314.1	41,693.4	45,370.8	49,372.5	53,727.1	58,465.8
Office building	16,895.6	19,056.8	21,455.8	24,486.4	27,569.0	31,047.6	34,972.7	39,248.9	43,911.3

Office building　Automotive manufacturing　Pharmaceutical　Semiconductor

Source: National Bureau of Statistics of China, Ipsos Analysis

Note: Electricity consumption office buildings with an area larger than 20,000 square meters.

Market Demand Value for Chinese Chiller Plant EMC Market in Office Building Sector in China from 2010 to 2024



	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F
Market demand value	39.0	49.1	52.1	58.3	67.1	77.1	88.7	101.1	115.3	130.3	147.2	166.4	188.0	212.4	240.0
Growth rate of market demand	32.0%	26.0%	6.0%	12.0%	15.0%	15.0%	15.0%	14.0%	14.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%

Market demand value   Growth rate of market demand

Source: Ipsos Analysis

According to the Ipsos Report, CAGR of market demand value for Chinese Chiller Plant EMC market in office building sector in China from 2014 to 2024 is estimated at approximately 13.6%.

DEVELOPMENT AND PROSPECT

The following industry sectors are expected to and experiencing high growth in light of energy saving and management focus in the 12th Five-Year Plan. In addition, from economic, technological and social aspects, there are positive factors that contribute to the growth expectation in the following key selected industry sectors:

Office building sector

Driven by booming office building investment in the PRC, building energy saving policies, and amendatory electricity pricing, market demand in this sector in 2013 was RMB58.3 billion, which is expected to keep a CAGR of 13.6% in the next 10 years.

Multi-effected by growing office building market and the PRC government's tense emphasis on building energy saving, office building HVAC systematic energy saving is expected to sustain a stable growth.

Automobile manufacturing sector

Market demand in this sector in 2013 was RMB17 billion, and is expected to grow with a CAGR of 8.6% in next 10 years, driven by huge automobile demand, production capacity expansion, and tightening energy saving criteria.

More demand on infrastructure construction is expected driven by production expansion and explosively growing demand in the PRC automotive industry. Under high energy saving pressure from the PRC government, great potential exists in HVAC energy saving.

Pharmaceutical sector

Enhanced by growing pharmaceutical demand, higher requirement on process cleanliness, and product quality, market demand in this sector in 2013 was approximately RMB47.1 billion, and is expected to grow with a CAGR of approximately 16.7% in next 10 years.

Demand for production of high-end medicine and social concerns on pharmaceutical quality require higher standard of manufacture process. Consequently, there will be more demand for central air conditioners in pharmaceutical industry which embraces huge potential for energy saving.

Semiconductor sector

Market demand in this sector in 2013 was approximately RMB80.2 billion, and is expected to grow with a CAGR of approximately 9.3% in next 10 years, driven by high manufacture process requirement for air quality and higher energy consumption of central air conditioner.

It is expected that under the promotion from industry upgrade, government stimulus, and higher requirement on process, more demand for HVAC equipment will drive more opportunities for energy saving retrofit.

Hotel and shopping mall sector

The number of four-star and five-star hotels in the PRC is experiencing a moderate growth in the last 4 years. By the end of 2013, the number of four-star and five-star hotels soared to 3,092 units. The number of shopping malls expands significantly at a CAGR of 11.5%, reaching 3,409 units by the end of 2013. These market sectors are anticipated keep stable growth due to the PRC booming consumer demand and tourism market prospect.

It is expected that these two sectors embrace substantial energy saving potential, since large amount of energy is not consumed efficiently by end users and increasing energy saving awareness is arousing.

COMPLEMENTARY TO OPPORTUNITIES AND CHALLENGES

In terms of EMC market, there are mainly 3 challenges.

(1) Energy saving potential

Due to the rapidly growing energy saving industry in China and the PRC government's promotion for its development, energy efficiency in China is beginning to catch up with developed countries. Energy saving potential may decline in the long-term, which may lead to less profit margin or longer payback period of EMC business.

(2) Customer credit and payment capacity

Customers with less credit may have problems delaying or refusing to make payment to EMCs. Bad performance of customer companies may affect their payment capacity, which in turn would pose a negative impact on the return for EMCs.

(3) Product quality

Product with defects may impact customer's daily operation, which may result in heavy penalty in an EMC contract. EMC players must pay close attention to maintain product quality at high levels.

ENTRY/EXIT BARRIERS

The entry barriers for Chinese Chiller Plant EMC market are as follows:

Capital

Chiller plant solution players need substantial amount of funding to support the sustainability of its EMC business model, since players have to pay for the optimization equipment in advance.

Government Regulation

Government regulations may change from time to time. Requirements for licenses and permits may raise the investment requirement in order to enter a market, creating an effective barrier for entry.

Customer Loyalty

Customer loyalty may help establish trust and favorable cooperation between chiller plant EMC players and customers. In this respect, EMC players would need to have in-depth understanding of equipment operation status in order to become reliable solution providers.

Research and Development

Chiller plant EMC solutions development requires a large upfront investment in technology, which would deter potential entrants.

FUTURE OPPORTUNITIES AND CHALLENGES

The 12th Five-Year Plan, adopted at the fifth plenum of the 17th Communist Party of China Central Committee that ended on 18 October 2010, urged efforts for a more people-oriented development approach and a comprehensive, balanced and sustainable development plan for the PRC, shifting the focus of economic development from quantity to quality. The PRC government is accelerating its development of a modern energy industry, and among other things, energy management as one of the basic state policies.

The PRC continues to carry out several key energy-saving projects, including the construction of energy-saving buildings. The PRC government supports key energy-saving projects, and encourages extensive application of high-efficiency, energy-saving products. PRC continues to make vigorous efforts to construct energy- and land-saving buildings and actively promote the energy-saving renovation of existing buildings.

The PRC has stepped up efforts in the reform of its energy management system, improved the national energy management system and decision-making mechanism, strengthened unified planning and coordination among state departments and local governments, and consolidated the state's overall planning and macro-control in the field of energy development, with the focus on changing functions, straightening out relations, optimising the setup and raising efficiency, so as to form a management system that centralises control to an appropriate degree, divides work in a rational way, fosters scientific decision-making, and ensures smooth enforcement and effective oversight. The PRC government has furthered the transformation of government functions, giving priority to guidance by policy measures and attaching importance to information services. It has deepened the reform of the energy management system, established and improved the relevant investment regulation and control system.

REGULATORY OVERVIEW

I. THE PRINCIPAL LAWS, REGULATIONS AND POLICY GOVERNING THE ENERGY SAVING INDUSTRY

Pursuant to the PRC Energy Conservation Law (中華人民共和國節約能源法) passed at the 28th meeting of the Standing Committee of the 8th National People's Congress of the PRC on 1 November 1997 and which was revised at the 30th meeting of the Standing Committee of the 10th National People's Congress of the PRC on 28 October 2007, energy conservation means, through tightened control over the use of energy and by adopting measures which are technologically feasible, economically rational and acceptable by the environment and the community, reduction of the volume of energy consumed, the loss of energy and the discharge of pollutants and prevention of waste of energy, at each stage from production through to consumption of energy, in order to use energy efficiently and rationally. The State encourages and supports research of and development of the sciences and technologies for energy conservation and their demonstration and popularization, and promotes innovation and advances in technologies for energy conservation. Energy-using units shall, in accordance with the principle of rational use of energy, improve the administration of energy conservation, and formulate and implement plans and technical measures for energy conservation, in order to reduce energy consumption. The State encourages the use of energy-saving equipment and building materials, such as new wall materials, and the installation and use of the systems for utilizing solar energy and other renewable resources of energy in construction of new buildings and in renovation of the energy-saving facilities in existing buildings.

Pursuant to the Decision on Enhancement of Energy Saving Work (國務院關於加強節能工作的決定) (Guo Fa (2006) No.28) which was promulgated by the State Council on 6 August 2006, the State encourages the cultivating of energy saving service system. The relevant governmental departments shall speed up the research and promulgation of a guidance of establishing energy saving service system, and encourage various energy saving technology service organizations to change managing system, innovate methods, broaden fields, improve service ability and enhance service level. The contract energy management shall be accelerated to carry out and the energy saving technology of enterprises shall be promoted.

Pursuant to the Notice of Energy Saving and Emission Reduction Comprehensive Work Program (國務院關於印發節能減排綜合性工作方案的通知) (Guo Fa (2007) No.15) which was promulgated by the State Council on 23 May 2007, the State will accelerate the establishment of energy saving technology service system and cultivate the energy saving service market as well as accelerate the promotion of contract energy management.

Pursuant to the Notice of the General Office of the State Council Forward the Opinion of Accelerating the Contract Energy Management and Promoting the Energy Saving Industry Development by The National Development and Reform Commission and Other Departments (國務院辦公廳轉發發展改革委等部門關於加快推行合同能源管理促進節能服務產業發展意見的通知) (Guo Ban Fa (2010) No.25) which was promulgated by the General Office of the State Council on 2 April 2010, the State will accelerate to carry out the contract energy management and develop the energy saving service industry by providing more supporting fund as well as adopting appropriate tax supporting policy for the energy saving industry.

Pursuant to the Rules on the Energy Conservation of Shanghai (上海市節約能源條例) passed on 22 September 1998 and which was revised on 23 April 2009, it is encouraged in Shanghai for the energy saving organizations, the industry associations and other energy saving design, production and sales units to promote energy saving products and instruct the users to use the energy saving products in a right way in order to promote reasonable energy consumption. It is also promoted in Shanghai for the units and individuals to adopt energy saving technology and use energy saving products so as to enhance the efficiency of energy consumption. The use of energy-saving equipment and building materials, such as new wall materials shall be encouraged in construction of new buildings and in renovation of existing buildings for the purpose of utilizing renewable energy. The Shanghai municipal government will also set aside special fund to support the energy saving according to economic and social development, and the special fund will be primarily used for innovation and enhancement of energy saving technology, supporting of contract energy management (合同能源管理) as well as the reward of energy saving.

Haoxin has obtained a Certificate of Accreditation by Shanghai Contract Energy Management Guidance Commission Office (上海市合同能源管理指導委員會辦公室) as "Energy Saving Service Company"(上海市節能服務機構).

II. OTHER RELEVANT LAWS AND REGULATIONS

Pursuant to the PRC Production Safety Law (中華人民共和國安全生產法) passed at the 28th meeting of the Standing Committee of the 9th National People's Congress of the PRC on 29 June 2002 and which was revised at the 10th meeting of the Standing Committee of the 11th National People's Congress of the PRC on 27 August 2009, any entity that is not sufficiently facilitated or equipped to ensure safe production may not engage in production and business operation activities. Entities must provide production safety education and training programs to employees. The design, manufacture, installation, use, checking and maintenance of the safety facilities and equipments are required to conform to applicable national or industrial standards. In addition, it is required that the labour protection facilities and equipments must meet the national or industrial standards and the entities must supervise and educate their employees to use such facilities and equipments according to the prescribed rules.

Pursuant to the PRC Product Quality Law (中華人民共和國產品品質法) passed at the 30th meeting of the Standing Committee of the 7th National People's Congress of the PRC on 22 February 1993 and which was revised at the 16th meeting of the Standing Committee of the 9th National People's Congress of the PRC on 8 July 2000, producers shall be responsible for the quality of products they produce. Quality of products shall meet certain requirements, including that the products shall be free from any irrational dangers threatening the safety of people and property. Sellers shall be responsible for repair, replacement or return and compensate for the damages done to end users or consumers under certain circumstances. If damages are done to the person or properties of others due to the defects of products, the victims may claim for compensation either from the producers or sellers. If the responsibility rests with the producers and the compensation is paid by the sellers, the sellers have the right to recover their losses from the producers. If the responsibility rests with the sellers and the compensation is paid by the producers, the producers have the right to recover their losses from the sellers.

Pursuant to the PRC Price Law (中華人民共和國價格法) passed at the 29th Meeting of the Standing Committee of the 8th National People's Congress of the PRC on 29 December 1997 and which took effect on 1 May 1998, this law is applicable to all the price behaviors that occur within the territory of PRC and prices of all merchandises and services, except those as set in this law to adopt government-set or guided prices (For instance, the few merchandises that are of great importance to development of the national economy and the people's livelihood or important services of public welfare in nature), shall be subject to market regulation to be fixed by business operators independently according to the provisions of this law. Prices should be fixed by business operators based on the cost of production or operation and market supply and demand. It is prohibited to work collaboratively with others to control market prices to damage the lawful rights and interests of other business operators and consumers, or to resort to deceitful or misleading means in terms of prices to entice consumers or other business operators into trading as well as to seek exorbitant profits in violation of laws and regulations. Violation of this law may result in penalties, including being ordered to suspend business for rectification, confiscation of illegal income and fines up to certain times of the illegal income.

The Weldtech Group is involved in the industry of the provision of UPPC energy saving service, which will not generate any environmental pollution which requires additional approvals or permits with respect to environmental protection, and there is no applicable law or regulatory risk relevant to environmental protection.

RISKS RELATING TO THE BUSINESS OF THE ENLARGED GROUP

New business segment of the Enlarged Group

The Acquisition constitutes a new business segment to the Group. Such new business may pose significant challenges to the Group, including but not limited to the administrative, financial and operational aspects. As the Company does not have significant experience in the new business, it is difficult to ascertain the timing and amount of any return or benefits that may be received from the new business. If the future plan in this new business in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and this may adversely affect the Company's financial position.

The Enlarged Group may need to invest resources in the design and production of equipment and systems in response to changes in market demand and government regulations

The continued improvement of energy management systems and development of new products and functions to cope with customers' needs require continued research and development efforts in respect of the improvement of functionality of the software and to launch new products to satisfy the requirement of the existing and new customers. In the event that the Enlarged Group fails to enhance its research and development capabilities to improve existing products or to develop new products to meet the ever-changing demands of the customers, or if the Enlarged Group fails to cope with the latest technology developments, the Enlarged Group may be surpassed by its competitors which may cause an adverse impact to the Enlarged Group's operating results and future developments.

The Enlarged Group is affected by and must comply with various government regulations that impact the Enlarged Group's products and operating costs. From time to time, changes in the rules and regulations or the implementation thereof may require the Enlarged Group to put additional efforts and resources and take further steps in order to comply with these rules and regulations. However, there can be no assurance that the Enlarged Group will succeed in any of the research and development projects undertaken or complete the projects within the estimated timeframe. If the Enlarged Group does not develop and introduce new products which are responsive to market demand and government regulations in a timely manner, the Enlarged Group's competitive position, net sales, and gross margins may be materially affected.

The Weldtech Group is well aware of the importance of product upgrading and development. Backed up by research and development professionals, the Weldtech Group has confidence that it can outperform others and be able to turn out new products/features ahead of its potential competitors.

The Enlarged Group may not be able to implement future plans successfully and achieve profitability in the new business segment

The Directors understand from the Vendors that the loss-making track record of the Weldtech Group for the two financial years ended 31 March 2012 and ten months ended 31 October 2013 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. 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. In order to manage the potential growth of its operations and the operations of the business of the Weldtech Group, the Enlarged Group will need to continue to improve its operational and financial systems, procedures and controls, increase manufacturing capacity and output, and expand, train, and manage its growing employee base. Furthermore, the management of the Enlarged Group will be required to maintain or improve its relationships with its customers, suppliers, and other third parties. There is no assurance that the Enlarged Group's current and planned operations, personnel, systems, and internal procedures and controls will be adequate to support its future growth and there is no assurance that the Enlarged Group will achieve profitability in the future. Due to the risks noted above and other risks discussed in this section, many of which are beyond the control of the Enlarged Group, the operating results may fluctuate and the Enlarged Group may be unable to implement its future plans in relation to its business and revenue, reduce its costs, maintain its competitiveness, or improve its profitability. As such, the Enlarged Group's business, financial condition, results of operations, and future prospects may be affected.

The Enlarged Group may be adversely affected by product liability claims

The Weldtech Group's energy management systems are typically sold with limited warranty for technical defects. As a result, upon Completion, the Enlarged Group may bear the risk of extensive warranty claims for an extended period after its products are sold and revenue is recognized. The management of the Weldtech Group considers various factors when determining the likelihood of product defects, including an evaluation of the Enlarged Group's quality controls, technical analysis, industry information on comparable companies, and their own experience.

In addition, as the Weldtech Group purchases certain components that it uses in its energy management systems from third parties, the Enlarged Group cannot be certain that the quality of these components will meet the quality standards of the Weldtech Group. Accordingly, the Enlarged Group faces an inherent risk of exposure to product liability claims in the event that the quality of components fail to meet the quality standard of the Weldtech Group which renders the failure of the products to perform to specification results, or is alleged to result in property damage, bodily injury, or death. Product failures and related adverse publicity may also damage the Enlarged Group's market reputation and cause its sales to decline.

The financial condition and results of the Enlarged Group would be adversely affected if the Enlarged Group's product liability insurance does not cover its liabilities or if the Enlarged Group is required to pay higher premiums in the future as a result of these liabilities.

Moreover, a successful product liability claim brought against the Enlarged Group could result in significant monetary damages requiring it to make significant payments and incur substantial legal expenses. Even if a product liability claim is not successfully pursued to judgment by a claimant, the Enlarged Group may still incur substantial legal expenses defending against such a claim.

To minimise the Weldtech Group's potential product liability exposure, it is the Weldtech Group's policy to source components from reputable manufacturer meeting industrial standards and the manufacturers will be responsible for the maintenance and repair of those components.

Risk relating to the intellectual property rights

The Enlarged Group's business relies on the use of various intellectual property rights. The Enlarged Group relies on a combination of patents, trade secrets, copyrights and other contractual restrictions to protect its intellectual property rights. Nevertheless, the Enlarged Group cannot be certain that the steps it has taken or will take to protect its intellectual property rights will adequately protect the Enlarged Group's proprietary rights. In particular, third parties may infringe or misappropriate the Enlarged Group's proprietary technology or other intellectual property rights, which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations. In addition, litigation may be necessary to enforce the Enlarged Group's intellectual property rights, protect its trade secrets, or determine the validity and scope of the proprietary rights of others.

The success of the Enlarged Group depends on its ability to use and develop its technologies and know-how without infringing the intellectual property rights of third parties. The Enlarged Group's current or potential competitors, many of which have substantial resources and have made substantial investment in competing technology, may have or may obtain patents that will prevent, limit or interfere with the Enlarged Group's ability to make, use or sell its systems in the PRC.

The Enlarged Group may face claims by others that the Enlarged Group is improperly using intellectual property rights owned by them or otherwise infringing their intellectual property rights. The validity and scope of claims relating to energy saving patents involve complex, scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. Furthermore, an adverse determination in any such litigation or proceedings to which the Enlarged Group may become a party could cause it to (i) pay damages; (ii) seek licences from third parties; (iii) pay ongoing royalties; (iv) redesign the Enlarged Group's products; or (v) be restricted by injunctions, each of which could effectively prevent the Enlarged Group from pursuing some or all of its business and result in its customers or potential customers deferring or limiting their purchase or use of its systems, which could have a material adverse effect on the Enlarged Group's financial condition and results of operations.

In addition, the Enlarged Group may have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent it is unable to cover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group. Any litigation, regardless of its outcome, would likely be time consuming and expensive to resolve and would divert management attention. An adverse determination in any such litigation will impair its intellectual property rights and may harm the business, future prospects and reputation of the Enlarged Group.

The Enlarged Group's business depends substantially on the continuing efforts of its key personnel

The future success of the Enlarged Group depends substantially on the continued services of some of the existing directors and senior management of the Weldtech Group. In particular, the Weldtech Group is highly dependent upon its directors and senior management members, including Mr. Lo, Mr. Cheng, Dr. Li and Dr. Chen. Should any of them leave the Weldtech Group, the Weldtech Group may not be able to replace them readily, if at all, with suitable or qualified candidates, and may incur additional expenses to recruit and retain new directors and senior management members, particularly those with a significant China-based energy management systems industry experience similar to its current directors and senior management members, which could negatively impact the management and growth of the business. Each of these directors and senior management members will enter into an employment agreement with the Enlarged Group, which contains confidentiality and non-competition provisions.

Furthermore, as the Weldtech Group expects to continue to expand its operations and develop new technology, it will need to continue attracting and retaining experienced management and key research and development personnel. In particular, the Weldtech Group competes to attract and retain qualified research and development personnel with other energy saving companies, universities and research institutions. There is no assurance that the Weldtech Group will be able to retain or hire qualified management and research and development personnel at all times in the future. If the Enlarged Group encounters any difficulty in recruiting or retaining competent personnel to manage its business operation as well as to market and sell its systems, its financial condition and results of operations may be adversely affected.

The Enlarged Group may be exposed to payment delays and/or defaults by its customers

According to the Vendors, with the exception of new customers or those without a proven credit history, the Weldtech Group generally offer its customers credit periods of up to 30 days following the date of fixing the energy saving chiller plant. There is no assurance that the Enlarged Group's customers will meet their payment obligations on time or in full or that the Enlarged Group's average trade receivables turnover days will not increase. Any inability on the part of the Enlarged Group's customers to settle or settle promptly the amounts due to the Enlarged Group may adversely affect the Enlarged Group's financial performance and operating cashflows, which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group relies on infrastructure and construction projects which may be adversely affected by the recent global financial crisis

The demand for the energy management systems to be provided by the Enlarged Group is dependent upon the existence of construction projects and service requirements within the markets in which it operates. Any period of economic recession affecting a market or industry in which the Enlarged Group transacts business is likely to have an adverse impact on its business. Many of the projects that the Weldtech Group currently participates in are relatively long in duration and the bulk of the Enlarged Group's performance generally occurs later in construction projects. The Enlarged Group may experience the results of economic trends well after an economic cycle begins.

RISKS RELATING TO THE INDUSTRY

The Enlarged Group operates in a highly competitive industry

The market for energy management systems is highly competitive. The competitors of the Enlarged Group include international enterprises with substantially greater resources than the Enlarged Group, as well as new domestic and foreign market entrants. The competitors of the Enlarged Group may develop and introduce new products sooner, or provide more attractively priced, enhanced, or better quality products and systems, than the Enlarged Group does.

Nonetheless, the markets for energy management systems in the PRC are fragmented, and the Enlarged Group faces intense competition from domestic and international providers of those products. Therefore, there can be no assurance that the Enlarged Group will be able to maintain its position as a leading provider of these products in the future. While the management of the Enlarged Group believe that the Enlarged Group's established manufacturing and distribution capabilities will enable it to become a leading provider of energy management systems, there is no assurance that the Enlarged Group will be able to compete successfully against its current future competitors.

Fluctuation in market demand may affect the sales of the Enlarged Group's products

The profitability of companies in the Enlarged Group's industry depends on the performance and business of the industry's customers. The Enlarged Group's revenue was generated mainly from the sale of its products to commercial and industrial buildings in the PRC. Demand for the Enlarged Group's products is dependent on capital expenditure of commercial and industrial buildings on energy savings, which in turn is largely dependent on market demand for real estate. A prolonged decline in market demand could directly or indirectly reduce the demand for the Enlarged Group's chiller energy saving systems and have an adverse effect on the business, financial condition, and results of operations of the Enlarged Group.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC

The economy of the PRC differs from the economies of most countries belonging to the Organisation for Economic Cooperation and Development in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Although state-owned enterprises still account for a substantial portion of the PRC's industrial output, in general the PRC government is reducing the level of direct control which it exercises over the economy through state plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing, management and a gradual shift with emphasis on a "market economy" and enterprise reform. Limited price reforms have been undertaken, with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. There can be no assurance that the PRC government will continue to pursue a policy of economic reform. The Enlarged Group may not, in all cases, be able to capitalise on the economic reform measures adopted by the PRC government.

The Enlarged Group's operations and financial results could be adversely affected by changes in the PRC political, economic and social condition or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof), measures which might be introduced to control inflation, changes in the rate or method of taxation, imposition of addition restrictions on currency conversion, and the imposition of additional import restrictions. Furthermore, a significant portion of the economic activity in the PRC is export-driven and, therefore, is affected by development in the economies of the PRC's principal trading partners and other export driven economies.

Uncertainty in the PRC legal system may limit the legal protections available to the Enlarged Group

The PRC legal system is based on the PRC constitution and consists of written laws, regulations, circulars and directives. Furthermore, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited and are not binding in the law courts of the PRC. The PRC government is still in the process of developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because of the non-binding nature of these laws and regulations, interpretation and enforcement of these laws and regulations involve uncertainties and outcomes of dispute resolutions may not be consistent or predictable as in the other more developed jurisdictions. Such uncertainties could limit the legal protections available to the Group.

Financial information on the Group for each of the three years ended 31 December is set out in the audited consolidated financial statements of the Group, together with the accompanying notes, and the audited consolidated financial statements of the Group for the years ended 31 December 2011, 2012 and 2013 respectively, which are included in the annual reports or results announcement of the Company for the respective years and are published on both the website of the Stock Exchange and the website of the Company (http://www.hkbla.com.hk) respectively.

1. STATEMENT OF INDEBTEDNESS

Borrowings

As at close of business on 28 February 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding secured interest-bearing loan of approximately HK$40,000,000, which was guaranteed by CITIC International Assets Management Limited.

Securities

As at close of business on 28 February 2014, the Enlarged Group had no pledged of assets.

Convertible bonds

As at close of business on 28 February 2014, being the latest practicable date for the purpose of indebtedness statement prior to the printing of this circular, the Enlarged Group had convertible bonds issued to Sure Venture Investment Limited in the amount of HK$1,566,000 and convertible bonds issued to Sina Winner Investment Limited in the amount of HK$43,200,000, which bear interest at 10% and zero interest per annum, respectively and are repayable in 2.1 and 2.8 years respectively from the date of issuance.

Non-convertible bonds

As at close of business on 28 February 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had non-convertible bonds in the amount of HK$10,000,000 issued to Mr. Jing Miao Jun, Mr. Kong Zhi Ming, Mr. Zhu Bo Shen, Ms. Xie Xue Mei and Ms. Yang Jing Yi, respectively, with an aggregate amount of HK$50,000,000. These non-convertible bonds bear interest at 8% per annum and are repayable in 7.5 years from the date of issue.

Contingent liabilities

As at close of business on 28 February 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had no other material contingent liabilities outstanding.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 28 February 2014, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, financial lease, hire purchases commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing as at close of business on 28 February 2014.

Save as disclosed above, the Directors were not aware of any material changes in the indebtedness and contingent liabilities of the Enlarged Group after 28 February 2014 and up to the Latest Practicable Date.

2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its requirements for the next twelve months from the date of this circular.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

11 April 2014

The Board of Directors
The Hong Kong Building and Loan Agency Limited

Dear Sirs,

We set out below our report on the financial information of Weldtech Technology Co. Limited (the "**Weldtech Technology**") and its subsidiaries (hereinafter collectively referred to as the "**Weldtech Group**"), comprising the consolidated statements of financial position of the Weldtech Group as at 31 March 2011 and 2012, 31 December 2012 and 31 October 2013, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Weldtech Group for the years ended 31 March 2011 and 2012, for the nine months period ended 31 December 2012 and for the ten months period ended 31 October 2013 (the "**Relevant Periods**"), together with the note thereto (the "**Financial Information**"), and the comparative consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Weldtech Group for the ten months period ended 31 October 2012 (the "**Unaudited Comparative Financial Information**"), prepared on the basis of presentation set out in Note 2 of Section II below, for inclusion in the circular of The Hong Kong Building and Loan Agency Limited (the "**Company**") dated 11 April 2014 (the "**Circular**") in connection with the sale and purchase agreement dated 31 October 2013 (the "**Sale and Purchase Agreement**") entered into between Total Global Holdings Limited (the "**Purchaser**"), a wholly owned subsidiary of the Company, and (i) CITIC International Assets Management Limited, (ii) Ample Richness Investments Limited, (iii) Smart Promise Limited, (iv) Infinite Soar Limited, (v) Cross Cone Holdings Limited, (iv) Newmargin Partners Ltd. ("**Newmargin**"), (vii) Carbon Reserve Investments Limited and (viii) Season Best Investments Limited (collectively refer to as the "**Vendors**") pursuant to which the Company would acquire the entire issued share capital of Weldtech Technology at a total consideration of HK$2,476,000,010 (the "**Consideration**"), subject to adjustments (collectively refer as the "**Acquisition**").

The Consideration shall be satisfied (i) as to HK$10,000,000 in cash being deposit paid by the Purchaser within 14 days upon the execution of the Agreement; (ii) as to HK$33,100,000 by way of cashier orders to Vendors upon the completion of the Acquisition (the "**Completion**"); (iii) as to HK$1,262,500,010 by way of issue of the convertible bonds by the Company upon the Completion; (iv) as to HK$1,034,400,000 by way of issue of the promissory notes to the Vendors upon the Completion; and (v) as to HK$136,000,000 by way of allotment and issue of 170,000,000 ordinary shares of HK$0.1 each in the share capital of the Company.

The Weldtech Technology is principally engaged in investment holding and trading of natural gas pre-heating system incorporated in Hong Kong with limited liability on 15 September 2004. As at 31 October 2013, the Company has no major assets or operating business other than its entire equity interest in 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) (translated as "Haoxin Technology (Shanghai) Company Limited") (the "**Haoxin**") and cash and cash equivalents.

Particulars of the principal subsidiaries comprising the Weldtech Group at the date of this report are set out below:

Company name	Place and date of incorporation/ registration	Nominal value of issued and fully paid-up share/ registered paid-up capital	Percentage of equity interest attributable to Weldtech Technology	Principal activities
Directly held:				
Haoxin	The People's Republic of China (the "**PRC**")	US$8,888,000/ US$8,888,000	100%	Provision of 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".
Weldtech Technology (Singapore) PTE Ltd. ("**Weldtech Singapore**")	Singapore	SGD$100/ SGD$Nil	100%	Inactive

The statutory audited financial statements of Haoxin for the years ended 31 December 2012 and 2011 was prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and for the years ended 31 December 2012 and 2011 were audited by Shanghai Shenwei Certified Public Accountants (上海申威聯合會計師事務所), certified public accountants registered in the PRC.

No audited financial statements have been prepared for Weldtech Singapore since its date of incorporation.

Weldtech Group adopts 31 March as its financial year end date. The statutory financial statements of Weldtech Group for the year ended 31 March 2012 was audited by Latitude CPA Limited, Certified Public Accountants registered in Hong Kong. The financial year end date of Weldtech Group was changed from 31 March to 31 December commencing from 31 December 2012. No statutory audited financial statements have been prepared since 1 April 2012.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Weldtech Technology have prepared the Financial Information for the Relevant Periods based on the unaudited financial statements of the Weldtech Group in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Hong Kong Companies Ordinance. The Financial Information for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Weldtech Technology are responsible for the contents of the Circular, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 2 of Section II. The directors of the Weldtech Technology are responsible for the preparation of the Financial Information and the Unaudited Comparative Financial Information that give a true and fair view in accordance with HKFRSs and the disclosure requirements of Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information and the Unaudited Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the Financial Information for the Relevant Periods, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements of the Weldtech Group for the Relevant Periods, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of the Weldtech Group's management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION

In our opinion, the Financial Information for the Relevant Periods, for the purpose of this report gives a true and fair view of the consolidated state of affairs of the Weldtech Group as at 31 March 2011 and 2012, 31 December 2012 and 31 October 2013 and of the consolidated results and consolidated cash flows of the Weldtech Group for the Relevant Periods.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respects, in accordance with accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	For the year ended 31 March 2011 HK$'000	For the year ended 31 March 2012 HK$'000	For the period from 1 April 2012 to 31 December 2012 HK$'000	Ten months ended 31 October 2012 HK$'000 (Unaudited)	Ten months ended 31 October 2013 HK$'000
Turnover	7	1,791	29,691	19,815	15,637	18,514
Cost of sales		(1,194)	(23,833)	(11,177)	(10,310)	(6,662)
Gross profit		597	5,858	8,638	5,327	11,852
Other revenue	8	166	721	2,305	1,031	2,528
Other income	9	65	—	—	—	—
Selling expenses		(2,566)	(11,989)	(10,185)	(12,028)	(7,436)
Administrative expenses		(7,999)	(19,314)	(25,078)	(29,839)	(29,763)
Loss from operations		(9,737)	(24,724)	(24,320)	(35,509)	(22,819)
Finance costs	10	—	(72)	(1,480)	(1,421)	(725)
Loss before taxation	11	(9,737)	(24,796)	(25,800)	(36,930)	(23,544)
Taxation	13	—	—	—	—	—
Loss for the year/period		(9,737)	(24,796)	(25,800)	(36,930)	(23,544)
Other comprehensive (loss)/ income for the year/period, net of tax:						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference on translation of foreign operations		(71)	(524)	529	262	1,099
Total comprehensive loss for the year/period, net of tax		(9,808)	(25,320)	(25,271)	(36,668)	(22,445)
(Loss)/profit for the year/ period attributable to:						
— Owners of the Weldtech Group		(9,842)	(24,796)	(25,800)	(36,930)	(23,544)
— Non-controlling interests		105	—	—	—	—
		(9,737)	(24,796)	(25,800)	(36,930)	(23,544)
Total comprehensive (loss)/income attributable to:						
— Owners of the Weldtech Group		(9,913)	(25,320)	(25,271)	(36,668)	(22,445)
— Non-controlling interests		105	—	—	—	—
		(9,808)	(25,320)	(25,271)	(36,668)	(22,445)

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Financial Position

	Notes	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 December 2012 HK$'000	As at 31 October 2013 HK$'000
Non-current assets					
Property, plant and equipment	*15*	615	808	1,454	1,270
Construction in progress	*16*	3,615	5,268	5,761	8,144
Finance lease receivables	*21*	1,084	5,625	11,899	20,247
Goodwill	*17*	111	111	111	111
		5,425	11,812	19,225	29,772
Current assets					
Inventories	*19*	699	2,673	572	436
Trade and bill receivables	*18*	35	1,156	845	1,461
Prepayments, deposits and other receivables	*20*	6,833	2,712	1,519	31,755
Finance lease receivables	*21*	604	4,027	9,971	13,806
Amounts due from customers under construction contracts	*22*	—	—	—	120
Amounts due from directors	*23*	7	9,015	134	—
Pledged bank deposits	*24*	—	—	—	1,380
Cash and bank balances	*24*	271	13,970	43,824	14,023
		8,449	33,553	56,865	62,981
Current liabilities					
Trade and other payables	*25*	1,098	11,102	10,251	5,321
Receipt in advance		4,494	203	193	6,639
Amount due to a director	*26*	1,390	2,373	—	—
Amount due to a shareholder	*27*	—	900	—	—
Amounts due to related companies	*28*	8,961	28,353	40	—
Bank and other borrowings	*29*	—	29,823	2,368	40,000
		15,943	72,754	12,852	51,960
Net current (liabilities)/assets		(7,494)	(39,201)	44,013	11,021
Net (liabilities)/assets		(2,069)	(27,389)	63,238	40,793
Capital and reserves					
Share capital	*30*	1	1	2	2
Reserves		(2,070)	(27,390)	63,236	40,791
		(2,069)	(27,389)	63,238	40,793

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Changes in Equity

	Attributable to owners of Weldtech Technology								
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Contribution surplus reserve HK$'000	Other reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	1	—	(49)	—	36	1,129	1,117	(161)	956
Loss for the year	—	—	—	—	—	(9,842)	(9,842)	105	(9,737)
Other comprehensive loss	—	—	(71)	—	—	—	(71)	—	(71)
Total comprehensive (loss)/ income	—	—	(71)	—	—	(9,842)	(9,913)	105	(9,808)
Allotment of ordinary shares	—	7,000	—	—	—	—	7,000	—	7,000
Acquisition of additional interest in a subsidiary	—	—	—	—	(273)	—	(273)	56	(217)
At 31 March 2011 and 1 April 2011	1	7,000	(120)	—	(237)	(8,713)	(2,069)	—	(2,069)
Loss for the year	—	—	—	—	—	(24,796)	(24,796)	—	(24,796)
Other comprehensive loss	—	—	(524)	—	—	—	(524)	—	(524)
Total comprehensive loss	—	—	(524)	—	—	(24,796)	(25,320)	—	(25,320)
At 31 March 2012 and 1 April 2012	1	7,000	(644)	—	(237)	(33,509)	(27,389)	—	(27,389)
Loss for the period	—	—	—	—	—	(25,800)	(25,800)	—	(25,800)
Other comprehensive income	—	—	529	—	—	—	529	—	529
Total comprehensive income/ (loss)	—	—	529	—	—	(25,800)	(25,271)	—	(25,271)
Issue of ordinary shares	1	85,557	—	—	—	—	85,558	—	85,558
Shareholder contribution	—	—	—	30,340	—	—	30,340	—	30,340
At 31 December 2012 and 1 January 2013	2	92,557	(115)	30,340	(237)	(59,309)	63,238	—	63,238
Loss for the period	—	—	—	—	—	(23,544)	(23,544)	—	(23,544)
Other comprehensive income	—	—	1,099	—	—	—	1,099	—	1,099
Total comprehensive income/ (loss)	—	—	1,099	—	—	(23,544)	(22,445)	—	(22,445)
At 31 October 2013	2	92,557	984	30,340	(237)	(82,853)	40,793	—	40,793
At 1 January 2012	1	7,000	(490)	—	(237)	(20,009)	(13,735)	—	(13,735)
Loss for the period	—	—	—	—	—	(36,930)	(36,930)	—	(36,930)
Other comprehensive loss	—	—	262	—	—	—	262	—	262
Total comprehensive income/ (loss)	—	—	262	—	—	(36,930)	(36,668)	—	(36,668)
Issue of ordinary shares	1	85,557	—	—	—	—	85,558	—	85,558
Shareholder contribution	—	—	—	30,340	—	—	30,340	—	30,340
At 31 October 2012 (unaudited)	2	92,557	(228)	30,340	(237)	(56,939)	65,495	—	65,495

The accompanying notes form an integral part of the Financial Information.

Consolidated Statements of Cash Flows

	For the year ended 31 March 2011 *HK$'000*	For the year ended 31 March 2012 *HK$'000*	For the period from 1 April 2012 to 31 December 2012 *HK$'000*	Ten months ended 31 October 2012 *HK$'000* (Unaudited)	Ten months ended 31 October 2013 *HK$'000*
OPERATING ACTIVITIES					
Loss before taxation	(9,737)	(24,796)	(25,800)	(36,930)	(23,544)
Adjustments for:					
Interest income	(1)	(6)	(16)	(8)	(28)
Interest income on finance lease	(160)	(603)	(1,233)	(1,023)	(2,477)
Interest expenses	—	72	1,480	1,421	725
Depreciation	54	148	221	139	337
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	(9,844)	(25,185)	(25,348)	(36,401)	(24,987)
Decrease/(increase) in trade and bill receivables	203	(1,121)	311	915	(616)
(Increase)/decrease in prepayments, deposits and other receivables	(6,776)	4,121	1,193	1,713	(30,236)
Decrease/(increase) in inventories	345	(1,974)	2,101	3,870	136
Decrease/(increase) in amounts due from directors	2,189	(9,008)	8,881	(62)	134
Decrease in amounts due from related companies	63	—	—	—	—
Increase in amount due from customers under construction contract	—	—	—	—	(120)
Increase in finance lease receivables	(1,688)	(7,964)	(12,218)	(8,498)	(12,183)
Increase/(decrease) in trade and other payables	1,010	10,004	(851)	5,686	(4,930)
Increase/(decrease) in receipt in advance	4,494	(4,291)	(10)	(2,073)	6,446
Increase/(decrease) in amount due to a director	1,390	983	(2,373)	(2,372)	—
Increase/(decrease) in amount due to a shareholder	—	900	(900)	—	—
Increase/(decrease) in amounts due to related companies	6,281	19,392	2,027	4,705	(40)
Cash used in operations	(2,333)	(14,143)	(27,187)	(32,517)	(66,396)
Income tax paid	—	—	—	—	—
Net cash used in operating activities	(2,333)	(14,143)	(27,187)	(32,517)	(66,396)

Consolidated Statements of Cash Flows (continued)

	For the year ended 31 March 2011	For the year ended 31 March 2012	For the period from 1 April 2012 to 31 December 2012	Ten months ended 31 October 2012	Ten months ended 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(647)	(314)	(868)	—	(121)
Increase of construction in progress	(3,615)	(1,653)	(493)	(1,235)	(2,383)
Net cash outflow from acquisition of additional interests in a subsidiary	(217)	—	—	(386)	—
Interest received	161	609	1,249	1,031	2,505
Net cash (used in)/generated from investing activities	(4,318)	(1,358)	(112)	(590)	1
FINANCING ACTIVITIES					
Interest paid	—	(72)	(1,480)	(1,421)	(725)
Proceeds from allotment of shares	7,000	—	85,558	85,558	—
Proceeds from bank and other borrowings	—	30,218	3,698	31,510	41,847
Increase in pledged bank deposits	—	—	—	—	(1,380)
Repayment of bank and other borrowings	—	(395)	(31,153)	(31,144)	(4,238)
Net cash generated from/(used in) financing activities	7,000	29,751	56,623	84,503	35,504
Net increase/(decrease) in cash and cash equivalents	349	14,250	29,324	51,395	(30,891)
Cash and cash equivalents at the beginning of the year/period	5	271	13,970	2,158	43,824
Effect of foreign currency exchange rate changes	(83)	(551)	530	(37)	1,090
Cash and cash equivalents at the end of the year/period	271	13,970	43,824	53,517	14,023
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	271	13,970	43,824	53,517	14,023

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The registered office and principal place of business of the Weldtech Technology is at 23/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. Weldtech Technology was incorporated in Hong Kong with limited liability and is principally engaged in investment holding and the activities of its subsidiaries comprise the provision of refrigeration equipment, engineering and electronic devices and related services. The controlling shareholder of the Weldtech Technology is CITIC International Assets Management Limited, a company incorporated in Hong Kong.

The financial year end date of the Weldtech Technology was changed from 31 March to 31 December commencing from 31 December 2012. Accordingly, the consolidated financial statements for the period cover the 9 months from 1 April 2012 to 31 December 2012. The corresponding amounts shown for the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes cover the 12 months from 1 April 2011 to 31 March 2012 and therefore may not be comparable with the amounts shown for the period ended 31 December 2012. Certain comparative figures have been adjusted to conform with the current presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and related interpretations promulgated by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange.

In the current year/period, the Weldtech Group has adopted all of the new and revised standards, amendments and interpretations ("**new HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013.

HKFRS 1 (Amendments)	Government Loan
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The Weldtech Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 14	Regulatory Deferral Accounts[4]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 No mandatory effective date yet determined but is available for adoption.

4 Effective for annual periods beginning on 1 January 2016.

5 Effective for annual periods beginning on or after 1 January 2014, with limited exceptions.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Weldtech Group's financial assets and financial liabilities (e.g. the Weldtech Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Weldtech Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 — Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 — Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Weldtech Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The investment entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Weldtech Group's financial performance and positions.

Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Weldtech Group's financial performance and positions.

HK(IFRIC)–Int 21 Levies

HK(IFRIC)–Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC)–Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

HKFRS 14 — Regulatory Deferral Accounts

HKFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Accounting Principles ("GAAP") requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard.

The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The directors of the Weldtech Technology anticipate that the application of new and revised standards, amendments or interpretation will have no immaterial impact on the results and the financial position of the Weldtech Group as well as the disclosure in the consolidated financial statements.

(b) Basis of preparation

The Financial Information is presented in Hong Kong Dollar ("**HK$**") rounded to the nearest thousand except when otherwise indicated, which is the presentation currency and the functional currency of Weldtech Technology.

The measurement basis used in the preparation of the Financial Information is the historical cost convention except for certain financial assets and financial liabilities which have been carried at fair value as explained below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Weldtech Technology and entities controlled by Weldtech Technology (its subsidiaries). Control is achieved where Weldtech Technology has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Weldtech Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Weldtech Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of Weldtech Technology and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Weldtech Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Weldtech Group's ownership interests in subsidiaries that do not result in the Weldtech Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Weldtech Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Weldtech Technology.

Non-controlling interests represent the interests of outside shareholders not held by the Weldtech Group in the results and net assets of Weldtech Technology's subsidiaries. Acquisitions of non-controlling interests are accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction. Total comprehensive income and expenses of a subsidiary is attributed to the owners of Weldtech Technology and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Weldtech Group, liabilities incurred by the Weldtech Group to the former owners of the acquiree and the equity interests issued by the Weldtech Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Weldtech Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Weldtech Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase.

Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Weldtech Group obtains control over the acquiree. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Weldtech Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(e) Acquisition of additional interest in a subsidiary

When the Weldtech Group increases its interest in an entity that is already controlled by the Weldtech Group, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Weldtech Group's share of the net carrying amount of the identifiable assets, liabilities and contingent liabilities acquired. The difference between the cost of additional interest acquired and the book value of the identifiable assets, liabilities and contingent liabilities attributable to the additional interest acquired is recognised as a reserve movement (other reserve). The difference represents the difference that arose since the original acquisition date that is attributable to the Weldtech Group's increased interest in the subsidiary. On the subsequent disposal of the subsidiary, the reserve is transferred to retained earnings.

(f) Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Weldtech Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

(g) Subsidiary

A subsidiary is a company in which Weldtech Technology, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

Investments in subsidiaries are included in Weldtech Technology's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by Weldtech Technology on the basis of dividend received and receivable.

(h) Impairment of assets

(i) Financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contracts, such as a default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Weldtech Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of within 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Other assets

Internal and external sources of information are reviewed at each reporting date to identify indications that other assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of profit or loss and other comprehensive income in the year in which the reversals are recognised.

(i) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statements of profit or loss and other comprehensive income.

(i) Financial assets

Financial assets are classified into loans and receivables (including cash and bank balances). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables including trade and bill receivables, deposits and other receivables, amount due from customer under construction contracts, amounts due from directors, finance lease receivables, pledged deposits and cash and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(ii) Financial liabilities (including interest-bearing borrowings)

Financial liabilities including trade and other payables, receipt in advance, amount due to a director, amount due to a shareholder, amounts due to related companies and bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the consolidated statements of profit or loss and other comprehensive income.

Gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the entity has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated statements of profit or loss and other comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated statements of profit or loss and other comprehensive income.

(j) Cash and cash equivalents

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

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

(k) Revenue recognition

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Weldtech Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from provision of service is recognised when the services are provided.

Finance lease interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(l) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of items of property, plant and equipment, using the straight line method, over its estimated useful life. The principal annual rates are as follows:

Office equipment	20%
Computer equipment	10–20%
Leasehold improvement	20%

The gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of profit or loss and other comprehensive income.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to make the sale.

(n) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

(o) Foreign currencies

i. Functional and presentation currency

Items included in the financial statements of each of the companies now comprising the Weldtech Group are measured using the currency of the primary economic environment in which the company operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the functional and presentation currency of Weldtech Technology.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of their fair value gain or loss.

iii. Group companies

The results and financial positions of all the companies now comprising the Weldtech Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing rate;

(b) Income and expenses are translated at average exchange rates; and

(c) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owners' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(p) Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the consolidated statements of profit or loss and other comprehensive income in the period in which they are incurred.

(q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Weldtech Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Weldtech Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Weldtech Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(r) Provision

Provision is recognised when the Weldtech Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Weldtech Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Weldtech Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Related parties transactions

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

(i) A person, or a close member of that person's family, is related to the Weldtech Group if that person:

(1) has control or joint control over the Weldtech Group;

(2) has significant influence over the Weldtech Group; or

(3) is a member of the key management personnel of the Weldtech Group or of a parent of the Weldtech Group.

(ii) An entity is related to the Weldtech Group if any of the following conditions applies:

(1) the entity and the Weldtech Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) both entities are joint ventures of the same third party.

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Weldtech Group or an entity related to the Weldtech Group.

(6) the entity is controlled or jointly controlled by a person identified in (i).

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(u) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leases. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Weldtech Group's net investment outstanding in respect of the leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(v) Government grants

Government grants are not recognised until there is reasonable assurance that the Weldtech Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Weldtech Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Weldtech Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Weldtech Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(w) Segment reporting

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Weldtech Group's accounting policies which are described in Note 2, the directors of Weldtech Technology are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(a) Income tax

The Weldtech Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Weldtech Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of property, plant and equipment

The Weldtech Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Weldtech Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to estimated impairment provision previously made.

In determining the useful life and residual value of an item of property, plant and equipment, the Weldtech Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Weldtech Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(c) Impairment of goodwill

The Weldtech Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(d) Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Weldtech Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of profit or loss and other comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March 2011	As at 31 March 2012	As at 31 December 2012	As at 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)				
— trade and bill receivables	35	1,156	845	1,461
— deposits and other receivables	1,791	1,284	911	22,942
— finance lease receivables	1,688	9,652	21,870	34,053
— amounts due from customers under construction contracts	—	—	—	120
— amounts due from directors	7	9,015	134	—
— pledged bank deposits	—	—	—	1,380
— cash and bank balances	271	13,970	43,824	14,023
	3,792	35,077	67,584	73,979
Financial liabilities				
Amortised cost				
— trade and other payables	1,077	6,975	4,352	2,268
— receipt in advance	4,494	203	193	6,639
— bank and other borrowings	—	29,823	2,368	40,000
— amount due to a director	1,390	2,373	—	—
— amount due to a shareholder	—	900	—	—
— amounts due to related companies	8,961	28,353	40	—
	15,922	68,627	6,953	48,907

(b) Financial risk management objectives and policies

The Weldtech Group's major financial instruments include trade and bill receivables, deposits and other receivables, finance lease receivables, amounts due from directors, pledged bank deposits, cash and cash equivalents, trade and other payables, receipt in advance, bank and other borrowings, amount due to a director, amount due to a shareholder and amounts due to related companies. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Weldtech Group's financial instruments are currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

During the Relevant Periods, there has been no change to the types of the Weldtech Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi ("**RMB**"). The Weldtech Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the Relevant Periods.

The carrying amounts of the Weldtech Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

Assets	**As at 31 March 2011**	**As at 31 March 2012**	**As at 31 December 2012**	**As at 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	13,009	24,846	46,480	54,523

Liabilities	**As at 31 March 2011**	**As at 31 March 2012**	**As at 31 December 2012**	**As at 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	15,922	48,233	11,275	10,975

Sensitivity analysis on currency risk

The Group is mainly exposed to the effects of fluctuation of RMB.

The following table details the Weldtech Group's sensitivity to a 5% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Weldtech Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in loss where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the loss.

Impact of RMB	**As at 31 March 2011**	**As at 31 March 2012**	**As at 31 December 2012**	**As at 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit or loss	146	1,169	(1,760)	(2,177)

Note: This is mainly attributable to the exposure outstanding on receivables and payables denominated in RMB at the end of the reporting period.

Credit risk

The Weldtech Group's credit risk is primarily attributable to trade and other receivables and finance lease receivables. It has policies in place to ensure that sales and services are made to customers with an appropriate credit history. The exposure to these credit risks are monitored on an ongoing basis.

The carrying amounts of trade receivables and finance lease receivables included in the consolidated statement of financial position represent the Weldtech Group's maximum exposure to credit risk in relation to the Weldtech Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The Weldtech Group's concentration of credit risk by geographical location is mainly in the PRC. The Weldtech Group also has concentration of credit risk by customers as approximately 100%, 100%, 76% and 37% of total trade receivables and finance lease receivables was due from the Weldtech Group's five largest customers as at 31 March 2011, 31 March 2012, 31 December 2012 and 31 October 2013 respectively.

In order to minimise the credit risk, the management of the Weldtech Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Weldtech Group reviews the recoverable amount of each individual trade debt and debt instrument at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors of Weldtech Technology consider that the Weldtech Group's credit risk is significantly reduced.

Substantially all of the Weldtech Group's cash and cash equivalents are deposited in a bank located in Hong Kong and PRC which the directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Weldtech Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Weldtech Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

	At 31 October 2013					
	Weighted average interest rate	**Carrying amount**	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	2,268	—	1,900	368	2,268
Receipt in advance	—	6,639	—	6,639	—	6,639
Bank and other borrowings	12.0%	40,000	—	40,000	—	40,000
		48,907	—	48,539	368	48,907

	At 31 December 2012					
	Weighted average interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	4,352	—	3,997	355	4,352
Receipt in advance	—	193	—	193	—	193
Bank and other borrowings	8.31%	2,368	—	1,579	789	2,368
Amount due to a related company	—	40	40	—	—	40
		6,953	40	5,769	1,144	6,953

	At 31 March 2012					
	Weighted average interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	6,975	—	6,832	143	6,975
Receipt in advance	—	203	—	203	—	203
Bank and other borrowings	10.92%	29,823	—	27,849	1,974	29,823
Amount due to a director	—	2,373	2,373	—	—	2,373
Amount due to a shareholder	—	900	900	—	—	900
Amounts due to related companies	—	28,353	28,353	—	—	28,353
		68,627	31,626	34,884	2,117	68,627

	At 31 March 2011					
	Weighted average interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	1,077	—	1,061	16	1,077
Receipt in advance	—	4,494	—	4,494	—	4,494
Amount due to a director	—	1,390	1,390	—	—	1,390
Amounts due to related companies		8,961	8,961	—	—	8,961
		15,922	10,351	5,555	16	15,922

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors consider that the carrying amount of other financial assets and financial liabilities carried at amortised cost, approximate to their fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 March 2011 and 2012, 31 December 2012 and 31 October 2013.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Weldtech Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Weldtech Group's capital management is to safeguard the Weldtech Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Weldtech Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Weldtech Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Weldtech Group's objectives, policies or processes for managing capital remain unchanged during the Relevant Periods.

The Weldtech Group monitors capital to ensure that entities in the Weldtech Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Weldtech Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Weldtech Group consists of debt (bank borrowings), cash and bank balances and equity attributable to owners of Weldtech Technology, comprising issued share capital and reserves.

	As at 31 March 2011	**As at 31 March 2012**	**As at 31 December 2012**	**As at 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank and other borrowings *(Note 29)*	—	29,823	2,368	40,000
Equity *(Note (a))*	(2,069)	(27,389)	63,238	40,793
Gearing ratio	N/A	N/A	0.04	0.98

Note:

(a) Equity includes all capital and reserves attributable to owners of Weldtech Technology.

6. OPERATING SEGMENT

The Weldtech Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Weldtech Group that are regularly reviewed by the chief operating decision makers for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) requires an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

The Weldtech Group currently operates in one business segment in the design and provision of energy saving solutions for offices as well as commercial and residential buildings. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Weldtech Group does not have separately reportable segments.

The single segment can be classified as follows:

The Weldtech Group generates revenue by providing the UPPC system to its customers in models of (i) buyout sales ("**Sales of goods**"); or (ii) "energy management contracts', commonly known as "EMC" in the energy-saving industry ("**Sales of goods under finance lease**").

Under sales of goods, the Weldtech Group would sell an UPPC system to its customers for a lump-sum payment which varies with the scale of the projects.

Under sales of goods under finance lease, the Weldtech Group would deliver the UPPC system to its customers and share a pre-determined percentage of the electricity expenses of the customers saved after adoption of the UPPC systems. The EMC agreements normally have a term of 5 to 10 years. Upon the expiry of such EMC agreement, the legal title of the UPPC system would be transferred to the customers.

Turnover from major products

The Weldtech Group's turnover from its major products and services are as follows:

	For the year ended 31 March 2011	**For the year ended 31 March 2012**	**For the period from 1 April to 31 December 2012**	**Ten months ended 31 October 2012**	**Ten months ended 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Turnover:					
Sale of goods	34	20,051	3,953	—	2,656
Sale of goods under finance lease	1,757	9,640	15,862	15,637	15,858
	1,791	29,691	19,815	15,637	18,514

Information about geographical areas

As the Weldtech Group's business fundamentally participates in one geographical location classified by the location of assets, i.e. the PRC, no separate geographical information based on the location of assets is presented.

The Weldtech Group's operations are mainly located in the PRC. All of the Weldtech Group's turnover is derived from customers based in the PRC.

Information about major customers

Included in revenue arising from sale of goods and sale of goods under finance lease, the major customers were presented as follows:

	For the year ended 31 March 2011	**For the year ended 31 March 2012**	**For the period from 1 April 2012 to 31 December 2012**	**Ten months ended 31 October 2012**	**Ten months ended 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	1,757	—	—	—	—
Customer B	—	7,474	—	—	—
Customer C	—	20,030	2,849	2,849	—
Customer D	—	—	6,624	6,624	—
Customer E	—	—	3,017	3,017	—
Customer F	—	—	—	—	4,546
Customer G	—	—	—	—	2,643
Customer H	—	—	—	—	2,760
	1,757	27,504	12,490	12,490	9,949

No other single customers contributed 10% or more to the Weldtech Group's revenue for years ended 31 March 2011 and 2012, for the period 1 April 2012 to 31 December 2012 and ten months ended 31 October 2013.

7. TURNOVER

An analysis of the Weldtech Group's turnover for the year/period is as follows:

	For the year ended 31 March 2011	**For the year ended 31 March 2012**	**For the period from 1 April to 31 December 2012**	**Ten months ended 31 October 2012**	**Ten months ended 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Turnover:					
Sale of goods	34	20,051	3,953	—	2,656
Sale of goods under finance lease	1,757	9,640	15,862	15,637	15,858
	1,791	29,691	19,815	15,637	18,514

8. OTHER REVENUE

	For the year ended 31 March 2011	For the year ended 31 March 2012	For the period from 1 April to 31 December 2012	Ten months ended 31 October 2012	Ten months ended 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	1	6	16	8	28
Interest income on finance lease receivables	160	603	1,233	1,023	2,477
Government subsidy	—	100	1,023	—	—
Sundry income	5	12	33	—	23
	166	721	2,305	1,031	2,528

9. OTHER INCOME

	For the year ended 31 March 2011	For the year ended 31 March 2012	For the period from 1 April to 31 December 2012	Ten months ended 31 October 2012	Ten months ended 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Exchange gain	65	—	—	—	—

10. FINANCE COSTS

	For the year ended 31 March 2011	For the year ended 31 March 2012	For the period from 1 April to 31 December 2012	Ten months ended 31 October 2012	Ten months ended 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest:					
Bank borrowings wholly repayable within five years	—	72	209	150	133
Other borrowings	—	—	1,271	1,271	592
	—	72	1,480	1,421	725

11. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the year ended 31 March 2011 *HK$'000*	For the year ended 31 March 2012 *HK$'000*	For the period from 1 April to 31 December 2012 *HK$'000*	Ten months ended 31 October 2012 *HK$'000* (Unaudited)	Ten months ended 31 October 2013 *HK$'000*
Staff cost:					
Employee benefit expense (including directors' remuneration *(Note 12)):*					
Salaries and allowance	4,156	15,028	12,950	16,148	20,125
Provident fund contributions	501	3,737	2,740	3,055	1,637
	4,657	18,765	15,690	19,203	21,762
Other items:					
Auditors' remuneration	58	104	4	4	406
Depreciation on owned property, plant and equipment	54	148	221	139	337
Cost of inventories recognised as an expense	1,194	23,833	11,177	10,310	6,662

12. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Details of directors' emoluments are as follows:

	For the year ended 31 March 2011 *HK$'000*	For the year ended 31 March 2012 *HK$'000*	For the period from 1 April to 31 December 2012 *HK$'000*	Ten months ended 31 October 2012 *HK$'000* (Unaudited)	Ten months ended 31 October 2013 *HK$'000*
Fees	—	630	—	630	—
Other emoluments:					
Salaries, allowances and benefits in kind	—	—	2,695	975	7,249
Provident fund contributions	—	—	37	7	64
	—	630	2,732	1,612	7,313

	Fees	Salaries, allowances and benefits in kind	Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ten months period ended 31 October 2013				
Mr. Wong Ho Yuen (resigned on 17 July 2013)	—	5,137	6	5,143
Mr. Wu Gang (resigned on 17 July 2013)	—	561	37	598
Mr. Cheng Lut Tim (appointed on 21 July 2010)	—	1,002	13	1,015
Mr. Ma Huan (appointed on 25 November 2010)	—	—	—	—
Mr. Lo Wing Yat (appointed on 4 September 2012)	—	—	—	—
Mr. Lo Kwok Tung (appointed on 4 September 2012)	—	—	—	—
Mr. Lau Ching Chi Clement (resigned on 17 July 2013)	—	440	8	448
Mr. Tang Jie (appointed on 13 August 2013)	—	—	—	—
Mr. Chan Chein Kwok William (appointed on 13 August 2013)	—	—	—	—
Ms. Kwok Pui Ha (appointed on 13 August 2013 and resigned on 19 September 2013)	—	—	—	—
Mr. Li Aiguo (appointed on 19 September 2013)	—	109	—	109
	—	7,249	64	7,313

	Fees	Salaries, allowances and benefits in kind	Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Ten months period ended 31 October 2012				
Mr. Wong Ho Yuen (resigned on 17 July 2013)	210	779	4	993
Mr. Wu Gang (resigned on 17 July 2013)	210	—	—	210
Mr. Cheng Lut Tim (appointed on 21 July 2010)	210	196	3	409
Mr. Ma Huan (appointed on 25 November 2010)	—	—	—	—
Mr. Lo Wing Yat (appointed on 4 September 2012)	—	—	—	—
Mr. Lo Kwok Tung (appointed on 4 September 2012)	—	—	—	—
	630	975	7	1,612

	Fees	Salaries, allowances and benefits in kind	Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Period ended 31 December 2012				
Mr. Wong Ho Yuen (resigned on 17 July 2013)	—	1,007	6	1,013
Mr. Wu Gang (resigned on 17 July 2013)	—	999	21	1,020
Mr. Cheng Lut Tim (appointed on 21 July 2010)	—	398	5	403
Mr. Ma Huan (appointed on 25 November 2010)	—	—	—	—
Mr. Lo Wing Yat (appointed on 4 September 2012)	—	—	—	—
Mr. Lo Kwok Tung (appointed on 4 September 2012)	—	—	—	—
Mr. Lau Ching Chi Clement (appointed on 13 November 2012)	—	291	5	296
	—	2,695	37	2,732

	Fees	Salaries, allowances and benefits in kind	Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2012				
Mr. Wong Ho Yuen (resigned on 17 July 2013)	210	—	—	210
Mr. Wu Gang (resigned on 17 July 2013)	210	—	—	210
Mr. Cheng Lut Tim (appointed on 21 July 2010)	210	—	—	210
Mr. Ma Huan (apponited on 25 November 2010)	—	—	—	—
	630	—	—	630

	Fees	Salaries, allowances and benefits in kind	Provident fund contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2011				
Mr. Wong Ho Yuen (resigned on 17 July 2013)	—	—	—	—
Mr. Wong Wai Yin, Willis (resigned on 8 November 2010)	—	—	—	—
Mr. Wu Gang (resigned on 17 July 2013)	—	—	—	—
Mr. Cheng Lut Tim (appointed on 21 July 2010)	—	—	—	—
Mr. Ma Huan (appointed on 25 November 2010)	—	—	—	—
	—	—	—	—

(b) Five highest paid individuals

Of the five individuals with highest emoluments, nil, nil, two, one and two were directors of the Weldtech Technology for the years ended 31 March 2011 and 2012, 31 December 2012 and ten months ended 31 October 2012 and 2013 respectively whose emoluments are disclosed in Note 12(a). The emoluments in respect of the other than directors is as follows:

	For the year ended 31 March 2011	For the year ended 31 March 2012	For the period from 1 April to 31 December 2012	Ten months ended 31 October 2012	Ten months ended 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Directors	—	—	2,033	993	6,157
Non-directors	2,476	3,645	2,183	2,978	2,333
	2,476	3,645	4,216	3,971	8,490

Details of the remuneration of the above non-director, highest paid employees during the Relevant Periods are as follows:

	For the year ended 31 March 2011	For the year ended 31 March 2012	For the period from 1 April to 31 December 2012	Ten months ended 31 October 2012	Ten months ended 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and benefit in kinds	2,301	3,377	2,054	2,772	2,249
Provident fund contributions	175	268	129	206	84
	2,476	3,645	2,183	2,978	2,333

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

	For the year ended 31 March 2011	For the year ended 31 March 2012	For the period from 1 April to 31 December 2012	Ten months ended 31 October 2012 (Unaudited)	Ten months ended 31 October 2013
Nil to HK$1,000,000	4	4	2	3	2
HK$1,000,001 to HK$1,500,000	1	1	1	1	1
	5	5	3	4	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Weldtech Group to the directors, highest paid employees as an inducement to join, or upon joining the Weldtech Group, or as compensation for loss of office. None of the directors has waived emoluments during the Relevant Periods.

13. TAXATION

	For the year ended 31 March 2011 HK$'000	For the year ended 31 March 2012 HK$'000	For the period from 1 April to 31 December 2012 HK$'000	Ten months ended 31 October 2012 HK$'000 (Unaudited)	Ten months ended 31 October 2013 HK$'000
Current tax for the year/period:					
Provision for the year/period	—	—	—	—	—

The Weldtech Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions which members of the Weldtech Group are domiciled and operate.

Hong Kong Profit Tax

No provision for Hong Kong profits tax has been made as the Weldtech Group had no assessable profits arising in Hong Kong during the Relevant Periods.

PRC Enterprise Income Tax

The provision for PRC Enterprise Income Tax for the Company's subsidiary in the PRC is based on PRC Enterprise Income Tax rates of 25% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC.

In accordance with the relevant PRC tax rules and regulations, the Company's PRC subsidiary is exempted from PRC Enterprise Income Tax for two consecutive years from their first profit making year, and are entitled to a 50% relief on the PRC Enterprise Income Tax for the following three years ("**Tax Holidays**"). Pursuant to the transitional arrangement under the new tax law passed by the Fifth Plenary Session of the Tenth National People's Congress on 16 March 2007 which took effect on 1 January 2008 (the "**New Tax Law**"), the PRC subsidiary will continue to enjoy the tax-exemption or

50% relief on the applicable PRC Enterprise Income tax rate under the New Tax Law until the expiry of the Tax Holidays previously granted, and thereafter they are subject to a unified rate of 25%. For those enterprises whose Tax Holidays had not commenced prior to 1 January 2008 due to lack of taxable profit before then, such preferential tax treatment commenced from 1 January 2008.

During the ten months period ended 31 October 2013, the Company's subsidiary in the PRC is qualified an High Technology Enterprise and enjoy the PRC Enterprise Income Tax rates of 15% instead of 25% from the year 2012 to 2014.

A reconciliation of the taxation applicable to loss before taxation using the statutory rate for the location in which the Weldtech Group are domiciled to the tax expense at the effective tax rate are as follows:

Year ended 31 March 2011

	The PRC		**Hong Kong**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(8,136)		(1,601)		(9,737)	
Tax at statutory tax rate	(2,034)	(25.0)	(264)	(16.5)	(2,298)	(23.6)
Tax effect of income not taxable for tax purpose	(40)	(0.5)	—	—	(40)	(0.4)
Tax effect of expense not deductible for tax purpose	55	0.7	—	—	55	0.6
Tax loss not recognised	2,019	24.8	264	16.5	2,283	23.4
Tax charge for the year	—	—	—	—	—	—

Year ended 31 March 2012

	The PRC		**Hong Kong**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(20,573)		(4,223)		(24,796)	
Tax at statutory tax rate	(5,143)	(25.0)	(697)	(16.5)	(5,840)	(23.6)
Tax effect of income not taxable for tax purpose	(303)	(1.5)	—	—	(303)	(1.2)
Tax effect of expense not deductible for tax purpose	37	0.2	—	—	37	0.2
Tax loss not recognised	5,409	26.3	697	16.5	6,106	24.6
Tax charge for the year	—	—	—	—	—	—

Period ended 31 December 2012

	The PRC		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(14,885)		(10,915)		(25,800)	
Tax at statutory tax rate	(3,721)	(25.0)	(1,801)	(16.5)	(5,522)	(21.4)
Tax effect of income not taxable for tax purpose	(526)	(3.5)	—	—	(526)	(2.0)
Tax effect of expense not deductible for tax purpose	35	0.2	—	—	35	0.1
Tax loss not recognised	4,212	28.3	1,801	16.5	6,013	23.3
Tax charge for the period	—	—	—	—	—	—

Period ended 31 October 2012 (Unaudited)

	The PRC		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(23,240)		(13,690)		(36,930)	
Tax at statutory tax rate	(5,810)	(25.0)	(2,259)	(16.5)	(8,069)	(21.8)
Tax effect of income not taxable for tax purpose	(202)	(0.9)	—	—	(202)	(0.5)
Tax effect of expense not deductible for tax purpose	66	0.3	—	—	66	0.1
Tax loss not recognised	5,946	25.6	2,259	16.5	8,205	22.2
Tax charge for the period	—	—	—	—	—	—

Period ended 31 October 2013

	The PRC		Hong Kong		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(11,272)		(12,272)		(23,544)	
Tax at statutory tax rate	(1,691)	(15.0)	(2,025)	(16.5)	(3,716)	(15.8)
Tax effect of income not taxable for tax purpose	(375)	(3.3)	—	—	(375)	(1.6)
Tax effect of expense not deductible for tax purpose	125	1.1	—	—	125	0.6
Tax loss not recognised	1,941	17.2	2,025	16.5	3,966	16.8
Tax charge for the period	—	—	—	—	—	—

As at 31 October 2013, the Weldtech Group had unused estimated tax losses of approximately HK$4,220,000 available for offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

14. DIVIDEND

The directors of Weldtech Technology do not recommend the payment of any dividend in respect of the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Computer Equipment	Leasehold Improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
As at 1 April 2010	—	11	—	11
Additions	256	391	—	647
Exchange realignment	5	9	—	14
As at 31 March 2011 and 1 April 2011	261	411	—	672
Additions	—	314	—	314
Exchange realignment	10	22	—	32
As at 31 March 2012 and 1 April 2012	271	747	—	1,018
Additions	104	384	380	868
As at 31 December 2012 and 1 January 2013	375	1,131	380	1,886
Additions	19	102	—	121
Exchange realignment	9	27	9	45
As at 31 October 2013	403	1,260	389	2,052
Accumulated depreciation				
As at 1 April 2010	—	1	—	1
Charge for the year	19	35	—	54
Exchange realignment	1	1	—	2
As at 31 March 2011 and 1 April 2011	20	37	—	57
Charge for the year	50	98	—	148
Exchange realignment	2	3	—	5
As at 31 March 2012 and 1 April 2012	72	138	—	210
Charge for the period	40	154	27	221
Exchange realignment	—	1	—	1
As at 31 December 2012 and 1 January 2013	112	293	27	432
Charge for the period	63	168	106	337
Exchange realignment	3	8	2	13
As at 31 October 2013	178	469	135	782

	Office Equipment *HK$'000*	Computer Equipment *HK$'000*	Leasehold Improvement *HK$'000*	Total *HK$'000*
Carrying amounts				
As at 31 October 2013	225	791	254	1,270
As at 31 December 2012	263	838	353	1,454
As at 31 March 2012	199	609	—	808
As at 31 March 2011	241	374	—	615

16. CONSTRUCTION IN PROGRESS

	HK$'000
Cost	
As at 1 April 2010	—
Additions	4,690
Transfer to cost of sales	(1,148)
Exchange realignment	73
As at 31 March 2011 and 1 April 2011	3,615
Additions	25,282
Transfer to cost of sales	(23,799)
Exchange realignment	170
As at 31 March 2012 and 1 April 2012	5,268
Additions	8,415
Transfer to cost of sales	(7,921)
Exchange realignment	(1)
As at 31 December 2012 and 1 January 2013	5,761
Additions	9,548
Transfer to cost of sales	(7,324)
Exchange realignment	159
As at 31 October 2013	8,144

17. GOODWILL

	HK$'000
Cost	
As at 1 April 2010, 31 March 2011, 31 March 2012, 31 December 2012 and 31 October 2013	111
Impairment	
As at 1 April 2010, 31 March 2011, 31 March 2012, 31 December 2012 and 31 October 2013	—
Carrying amounts	
As at 31 October 2013	111
As at 31 December 2012	111
As at 31 March 2012	111
As at 31 March 2011	111

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to individual cash-generating unit determined based on related segment. The carrying amount of goodwill as at 31 March 2011 and 2012, 31 December 2012 and 31 October 2013 is all allocated to the WOFE acquired by Weldtech Technology in April 2008.

The goodwill associated with the WOFE arose when that business was acquired by Weldtech Technology in April 2008. The recoverable amount of the WOFE has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a ten-year period, and a discount rate of 15.86% per annum. Cash flow projections during the budget period are based on financial budgets approved by management covering a ten-year period, as the directors consider the valid period of the patents, range from 10 to 17 years, held by the Weldtech Group as the budgeted period. Cash flows beyond that ten-year period have been extrapolated using nil growth rate per annum. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

The key assumption used in the value in use calculations of the WOFE is as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflect past experience.

18. TRADE AND BILL RECEIVABLES

	As at 31 March 2011 *HK$'000*	**As at 31 March 2012** *HK$'000*	**As at 31 December 2012** *HK$'000*	**As at 31 October 2013** *HK$'000*
Trade receivables	35	1,156	845	786
Bill receivables	—	—	—	675
	35	1,156	845	1,461

The ageing analysis of trade receivables is as follows:

	As at 31 March 2011 *HK$'000*	**As at 31 March 2012** *HK$'000*	**As at 31 December 2012** *HK$'000*	**As at 31 October 2013** *HK$'000*
0–90 days	—	—	845	669
91–180 days	—	1,156	—	—
181–365 days	—	—	—	117
Over 365 days	35	—	—	—
	35	1,156	845	786

According to the credit rating of different customers, the Weldtech Group allows a range of credit periods within 90 days to its trade customers.

Trade receivables that past due at the end of the Relevant Periods for which the Weldtech Group has not impaired because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not considered to be impaired is as follows:

	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 December 2012 HK$'000	As at 31 October 2013 HK$'000
Overdue by:				
1–90 days	—	1,156	—	—
91–180 days	—	—	—	117
181–365 days	35	—	—	—
	35	1,156	—	117

19. INVENTORIES

	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 December 2012 HK$'000	As at 31 October 2013 HK$'000
Raw materials	699	2,673	572	436

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 December 2012 HK$'000	As at 31 October 2013 HK$'000
Prepayments	5,042	1,428	608	8,813
Deposits	142	341	316	22,292
Other receivables	805	199	163	254
Value added tax recoverable	844	744	432	396
	6,833	2,712	1,519	31,755

21. FINANCE LEASE RECEIVABLES

	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 December 2012 HK$'000	As at 31 October 2013 HK$'000
Current finance lease receivables	604	4,027	9,971	13,806
Non-current finance lease receivables	1,084	5,625	11,899	20,247
	1,688	9,652	21,870	34,053

Leasing arrangements

Certain of the Weldtech Group's energy saving equipment are leased out under finance leases. All leases are denominated in RMB. The average term of finance lease entered into is 5–10 years.

Trade receivable under finance leases

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March 2011	**As at 31 March 2012**	**As at 31 December 2012**	**As at 31 October 2013**	**As at 31 March 2011**	**As at 31 March 2012**	**As at 31 December 2012**	**As at 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Not later than 1 year	655	4,368	10,767	14,367	604	4,027	9,971	13,806
Later than one year and not later than five years	1,353	6,822	13,583	22,789	1,084	5,625	10,642	17,441
Later than five years	—	—	2,299	4,226	—	—	1,257	2,806
	2,008	11,190	26,649	41,382	1,688	9,652	21,870	34,053
Less: unearned finance income	(320)	(1,538)	(4,779)	(7,329)	n/a	n/a	n/a	n/a
Present value of minimum lease payments receivable	1,688	9,652	21,870	34,053	1,688	9,652	21,870	34,053
Allowance for uncollectible lease payment	—	—	—	—	—	—	—	—
	1,688	9,652	21,870	34,053	1,688	9,652	21,870	34,053

Unguaranteed residual values of assets leased under finance leases as at 31 March 2011 and 2012, 31 December 2012 and 31 October 2013 are estimated at nil.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8.45% per annum for the years ended 31 March 2011 and 2012, period ended 31 December 2012 and 31 October 2013 respectively.

The Weldtech Group is pledged the finance lease receivables with the carrying amounts approximately HK$Nil, HK$6,380,000, HK$5,257,000 and HK$Nil for the bank borrowing as at 31 March 2011, 31 March 2012, 31 December 2012 and 31 October 2013.

The finance lease receivables as at 31 March 2011 and 2012, 31 December 2012 and 31 October 2013 are neither past due nor impaired.

22. AMOUNTS DUE FROM CUSTOMERS UNDER CONSTRUCTION CONTRACTS

Contracts in progress at the end of the reporting period

	As at 31 March 2011	**As at 31 March 2012**	**As at 31 December 2012**	**As at 31 October 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract costs incurred plus recognised profit less recognised losses	—	—	—	1,465
Less: progress billings	—	—	—	(1,345)
	—	—	—	120

23. AMOUNTS DUE FROM DIRECTORS

	As at 31 March 2011	As at 31 March 2012	As at 31 December 2012	As at 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Ho Yuen	—	9,000	61	—
Mr. Wu Gang	7	15	73	—
	7	9,015	134	—

The maximum amount outstanding during the years ended 31 March 2011 and 2012, the period ended 31 December 2012 and the period ended 31 October 2013 is as follows:

	Year ended 31 March 2011	Year ended 31 March 2012	Period from 1 April 2012 to 31 December 2012	Ten months ended 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Ho Yuen	—	9,838	62	62
Mr. Wu Gang	58	15	74	137

The amounts due from directors are unsecured, interest-free and recoverable on demand.

24. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

	As at 31 March 2011	As at 31 March 2012	As at 31 December 2012	As at 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	271	13,970	43,824	15,403
Less: pledged bank deposits	—	—	—	(1,380)
	271	13,970	43,824	14,023

Included in the cash and bank balances were amounts in RMB of approximately RMB267,000, RMB2,561,000, RMB6,490,000 and RMB9,481,000 as at 31 March 2011, 31 March 2012, 31 December 2012 and 31 October 2013 which are not freely convertible into other currencies.

Pledged bank deposits represent the deposits pledged to the bank for the guarantee deposit of maintenance fund of sale of goods. The pledge will be released upon the warranty of sale of goods project is expired.

25. TRADE AND OTHER PAYABLES

	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 December 2012 HK$'000	As at 31 October 2013 HK$'000
Trade payables	904	3,826	2,688	1,555
Other payables	173	3,149	1,664	713
Accruals	21	4,127	5,899	3,053
	1,098	11,102	10,251	5,321

The ageing analysis of trade payables is as follows:

	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 December 2012 HK$'000	As at 31 October 2013 HK$'000
0–90 days	767	2,374	935	700
91–180 days	—	1,039	256	275
181–365 days	121	270	1,142	212
Over 365 days	16	143	355	368
	904	3,826	2,688	1,555

The trade payables are interest free and are normally settled on or before the delivery and the credit period on purchase of goods is on average 90 days.

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and repayable on demand.

27. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder was unsecured, interest-free and repayable on demand.

28. AMOUNTS DUE TO RELATED COMPANIES

	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 December 2012 HK$'000	As at 31 October 2013 HK$'000
Bode International Trade (Shanghai) Co., Limited (傅得國際貿易(上海)有限公司)	8,674	28,055	40	—
Shanghai Taohui Management Consulting Co. Ltd (上海濤暉企業管理咨詢有限公司)	287	298	—	—
	8,961	28,353	40	—

The amounts due to related companies were unsecured, interest-free and repayable on demand.

29. BANK AND OTHER BORROWINGS

	As at 31 March 2011	As at 31 March 2012	As at 31 December 2012	As at 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	—	7,254	2,368	—
Other borrowings	—	22,569	—	40,000
	—	29,823	2,368	40,000
Secured *(Note (a))*	—	26,122	2,368	40,000
Unsecured *(Note (b))*	—	3,701	—	—
	—	29,823	2,368	40,000
Carrying amount repayable:				
On demand or within one year shown under current liabilities	—	29,823	2,368	40,000

Notes:

(a) At 31 October 2013, the Weldtech Group entered into a loan agreement with Group Success International Limited for other borrowings of approximately HK$40,000,000 were secured by the guarantee of CITIC International Assets Management Limited carries a fixed interest rate at 12% per annum.

At 31 December 2012, the Weldtech Group entered into a bank loan agreement with a financial institution of the balance approximately HK$2,368,000 were secured by personal guarantee by Mr. Wu Gang and Mr. Wong Ho Yuen, carries variable interest rate at 125% lending rate of The People's Bank of China per annum. The weighted average effective interest rate on the secured loan is 8.31% per annum.

At 31 March 2012, the Weldtech Group entered into a bank loan agreement with financial institution of the balance approximately HK$3,553,000 was secured by personal guarantee by Mr. Wu Gang and Mr. Wong Ho Yuen, carries variable interest rate at 125% lending rate of The People's Bank of China per annum. The weighted average effective interest rate on the secured loan is 8.58% per annum.

At 31 March 2012, the Weldtech Group entered into a loan agreement with CITIC International Assets Management Limited for other borrowings of approximately HK$22,569,000 were secured by the 15% share of Weldtech Technology held by SV Technology Company Limited and the personal guarantee by Mr. Wong Ho Yuen, Mr. Wu Gang and Mr. Cheng Lut Tim carries fixed interest rate at 12% per annum. The weighted average effective interest rate on the secured loan is 5.90% per annum.

(b) At 31 March 2012, the Weldtech Group entered into a bank loan agreement with a financial institution of the balance approximately HK$3,701,000. The bank loan is unsecured and bearing interest rate 5.90% per annum. The weighted average effective interest rate on the secured loan is 5.90% per annum.

30. SHARE CAPITAL

	Number of shares	Share capital *HK$*
Authorised:		
Ordinary shares at HK$1 each	10,000	10,000
Issued and fully paid:		
At 1 April 2010, 31 March 2011, 1 April 2011, 31 March 2012 and 1 April 2012	1,000	1,000
Issue of ordinary shares	724	724
At 31 December 2012, 1 January 2013, and 31 October 2013	1,724	1,724

31. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in notes 23, 26, 27 and 28, compensation of key management personnel of the Weldtech Group, including directors' remuneration as detailed in note 12 above.

	For the year ended 31 March 2011 *HK$'000*	For the year ended 31 March 2012 *HK$'000*	For the period ended 31 December 2012 *HK$'000*	Ten months ended 31 October 2012 *HK$'000* (Unaudited)	Ten months ended 31 October 2013 *HK$'000*
Salaries, allowances and benefit in kind	2,301	4,007	5,549	4,984	10,231
Provident fund contributions	175	267	235	286	273
Total compensation paid to key management personnel	2,476	4,274	5,784	5,270	10,504

32. OPERATING LEASE COMMITMENT

As at 31 March 2011 and 2012, 31 December 2012 and 31 October 2013, the Weldtech Group had outstanding commitments payable under non-cancellable operating leases in respect of properties rented with lease terms of between 1 to 2 years which fall due as follows:

	As at 31 March 2011 *HK$'000*	As at 31 March 2012 *HK$'000*	As at 31 December 2012 *HK$'000*	As at 31 October 2013 *HK$'000*
Within one year	543	466	1,448	1,395
Over one year	123	—	445	—
	666	466	1,893	1,395

33. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 March 2011 and 2012, 31 December 2012 and 31 October 2013 not provided for in the consolidated financial statements were as follows:

	As at 31 March 2011	As at 31 March 2012	As at 31 December 2012	As at 31 October 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Commitments for the construction contract	7,530	3,073	2,109	1,016

34. SUBSEQUENT EVENTS

There was no significant event took place subsequent to the 31 October 2013.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Weldtech Group in respect of any period subsequent to 31 October 2013.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate number: P05029
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group extracted from the announcement of the annual results of the Company for the year ended 31 December 2013 and the annual reports of the Company of each of the three years ended 31 December 2010, 2011 and 2012.

Review of Historical Results of Operations

Year ended 31 December 2013 compared with year ended 31 December 2012

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

During the year under review, the Group recorded a revenue of approximately HK$47.0 million, representing an increase of approximately 11.4% as compared with HK$42.2 million for the last year. A loss for the year attributable to the owners of the Company of approximately HK$91.1 million (2012: profit of approximately HK$10.3 million) was recorded mainly attributable to the impairment loss recognised in respect of loan and loan interest receivables.

Of the total revenue, approximately HK$47.0 million (2012: approximately HK$42.2 million) was generated from the Group's loan financing business which contributed a segment loss of approximately HK$89.10 million (2012: profit of approximately HK$33.0 million). Such substantial loss was mainly attributable to the impairment loss recognised in respect of loan and loan interest receivables.

With respect to the treasury investments, a segment profit of approximately HK$16.9 million was recorded for the year under review, as compared with the segment profit of approximately HK$7.8 million last year. The substantial increase in the profit incurred from the treasury investments is mainly attributable to the increase in the share prices of the equity securities held for investments.

Total Assets and Foreign Exchange Exposure

As at 31 December 2013, the total assets decreased to approximately HK$397.9 million (2012: approximately HK$453.2 million). All assets were denominated in Hong Kong dollars save for some bank balances which were denominated in United States dollars; as such, the Group's exposure to foreign exchange currency rate risk was insignificant. Therefore, no instruments have been applied for foreign currency hedging purposes.

As at 31 December 2013, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$0.26 million (2012: approximately HK$3.2 million) and HK$92.9 million (2012: approximately HK$14.0 million), respectively. The available-for-sale investments represent the carrying value of equity investment in an unlisted entity of Hong Kong at as 31 December 2013. The financial assets at fair value through profit or loss represent held-for-trading investments in equity securities listed in Hong Kong.

As at 31 December 2013, the Group held mortgage loans and loan receivables amounting to approximately HK$28.3 million (2012: approximately HK$33.1 million) and approximately HK$248.5 million (2012: approximately HK$321.5 million), respectively.

Liquidity and Financial Resources

The Group maintained a liquid position throughout the year. As at 31 December 2013, the Group held bank balances amounting to approximately HK$4.0 million (2012: approximately HK$8.3 million). The Group had HK$5.0 million borrowings (2012: HK$5.0 million) and HK$50.0 million non-convertible bonds (2012: HK$ 30.0 million) as at 31 December 2013.

Gearing ratio of the Group as at 31 December 2013, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 0.15 (2012: 0.06).

Capital Structure

As at 31 December 2013, the Company's issued ordinary share capital was HK$54,058,546.6 divided into 540,585,466 shares ("**Share(s)**") (31 December 2012: HK$43,514,886.6 divided into 435,148,866 Shares).

As at 31 December 2013, the Company had option convertible bonds in the principal amount of HK$1,566,000 and 86 options to subscribe for possible convertible bonds. During the year ended 31 December 2013, 3,480,000 new Shares were issued at the exercise price of HK$0.18 upon the conversion of option convertible bonds in the principal amount of HK$626,400. The holders of 86 options were entitled to subscribe for, in aggregate, the possible convertible bonds in the principal amount of up to HK$13,467,600, which may be converted into 134,676,000 Shares at the conversion price of HK$0.10 (as adjusted on 17 February 2014).

As at 31 December 2013, the Company had HK$4,050,000 other convertible bonds issued under a specific mandate outstanding. During the year ended 31 December 2013, 100,000,000 new Shares were issued at the exercise price of HK$0.135 upon the conversion of other convertible bonds issued under a specific mandate. The outstanding other convertible bonds issued under a specific mandate may be converted into 30,000,000 Shares at the conversion price of HK$0.135.

Charge on Group Assets and Contingent Liabilities

The Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2013 (2012: Nil).

Capital Commitment

Details are set out in note 14 to the consolidated financial statements.

Material Acquisition

The sale and purchase agreement dated 23 February 2011 (as amended) (the "**Previous Sale and Purchase Agreement**") was entered into by and between Wise Planner Limited,a wholly-owned subsidiary of the Company (the "**Previous Purchaser**"), Carbon Reserve Investments Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Season Best Investments Limited, Smart Promise Limited, SV Technology Company Limited (as the vendors, collectively, the "**Previous Vendors**"), and the Company (as the Previous Purchaser's guarantor) with respect to the acquisition of the entire issued share capital of Weldtech Technology Co. Limited ("**Weldtech Technology**") at a total consideration of HK$2,800,000,000 (the "**Previous Consideration**", HK$10,000,000 of the Previous Consideration has been paid by the Company to SV Technology Company Limited (being one of the Vendors) as the refundable deposit and part payment of the Previous Consideration) (collectively, the "**Previous Acquisition**").

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, 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 its growth potential. The Company managed to negotiate with the current shareholders of Weldtech Technology for acquiring Weldtech Technology. As part of the business continuity and as a re-launch of the Previous Acquisition, Total Global Holdings Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), CITIC International Assets Management Limited, Ample Richness Investments Limited, Smart Promise Limited, Infinite Soar Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Carbon Reserve Investments Limited and Season Best Investments Limited (as the vendors, collectively the "**Vendors**") and the Company entered into the sale and purchase agreement on 31 October 2013 (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 "**Consideration**", HK$10,000,000 of the Consideration has been paid by the Purchaser to CITIC International Assets Management Limited (being one of the Vendors) as refundable deposit and form part payment of the Consideration). 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.

Weldtech Technology holds the entire equity interest in Haoxin Technology (Shanghai) Company Limited(濠信節能科技(上海)有限公司)("**Haoxin**"), formerly known as 日滔貿易(上海)有限公司, a wholly foreign-owned enterprise established in the People's Republic of China, and is wholly-owned 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 the ultra performance plant controller system ("**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.

The Acquisition constituted a very substantial acquisition for the Company under the Listing Rules and therefore is subject to the reporting, announcement and shareholders' approval requirement.

For further details, please refer to the Company's announcements dated 6 December 2013, 30 December 2013, 29 January 2014, 21 February 2014 and 24 March 2014.

Fund Raising Activities

On 26 February 2013, 15 March 2013 and 22 August 2013 and 16 October 2013, the Company entered into the first placing agreement, supplemental placing agreement, second supplemental placing agreement, third supplemental placing agreement respectively (collectively, the "**Placing Agreements**") with FT Securities Limited (the "**Placing Agent**") pursuant to which the Placing Agent has conditionally agreed to procure the placees to subscribe for no more than 5 tranches (in which the principal amount of the convertible bonds placed in each tranche shall be HK$1,350,000 or any multiple thereof) of the convertible bonds of up to an aggregate principal amount of HK$60,750,000 on a best-effort basis. The conversion shares would be allotted and issued under the specific mandate to be sought from shareholders of the Company at an extraordinary general meeting to allot and issue up to a maximum of 450,000,000 conversion shares. The Placing was duly passed by the Shareholders in an extraordinary general meeting of the Company on 5 November 2013 and that all the conditions precedent for the issue of the convertible bonds under the Placing Agreements have been fulfilled and the overall completion of the placing of the convertible bonds took place on 17 February 2014.

For further details, please refer to the Company's announcements dated 28 February 2013, 15 March 2013, 22 August 2013, 16 October 2013, 5 November 2013, 19 December 2013, 11 February 2014 and 18 February 2014 as well as circular dated 21 October 2013.

Significant Investments Held

Save as reported above, as at 31 December 2013, the Group held no other significant investments.

Staff and Remuneration

The Group had 14 (2012: 14) employees as at 31 December 2013 and total staff costs incurred during the year amounted to approximately HK$6.5 million (2012: approximately HK$5 million). The Group offers competitive remuneration packages to its employees. Other benefits include share options granted or to be granted under the share option scheme of the Company.

Events after the Reporting Period

Details are set out in note 15 to the consolidated financial statements.

Outlook and Prospect

The loan financing business, which are mainly mortgage services, continues to generate interest income for the Group during the year ended 31 December 2013. In the view that the interest rate would continue increasing, the Group is optimistic that the loan financing business will generate higher income. While developing its strategy in treasury investment, which may consist of listed securities, treasury products and derivatives investment, the Group would continue exploring and broadening the existing businesses in order to strengthen its competitiveness and provide business growth potential. It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value to the shareholders of the Company. In this connection, the Company has identified the Group of Weldtech Technology as an appropriate acquisition target to the Group and is of the view that the Sale and Purchase Agreement allows the Group to diversify into a new line of business with significant growth potential.

Year ended 31 December 2012 compared with year ended 31 December 2011

Results for the year

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

During the year under review, the Group recorded a revenue of approximately HK$42.2 million, representing an increase of approximately 11.1% as compared with HK$38.0 million for the last year. A profit for the year attributable to the owners of the Company of approximately HK$10.3 million (2011: loss of approximately HK$49.3 million) was recorded mainly attributable to an increase in interest income, gain on disposal of financial assets at fair value through profit or loss, decreases in loss on fair value changes on financial assets at fair value through profit or loss as a result of the increase in the share price of equity securities being held and decrease in operating expenses.

Of the total revenue, approximately HK$42.2 million (2011: approximately HK$38.0 million) was generated from the Group's loan financing business which contributed a segment profit of approximately HK$33.0 million (2011: approximately HK$34.3 million). Such increase in profit was mainly attributable to the increase in interest income on loan receivables.

With respect to the treasury investments, a segment profit of approximately HK$7.8 million was recorded for the year under review, as compared with the segment loss of approximately HK$42.6 million for the last year. The substantial decrease in the loss incurred from the treasury investments was mainly attributable to the increase in the share prices of the equity securities held for investments.

Total assets

As at 31 December 2012, the total assets increased to approximately HK$453.2 million (2011: approximately HK$381.6 million). All assets were denominated in Hong Kong dollars save for some bank balances which were denominated in United States dollars; as such, the Group's exposure to foreign exchange currency rate risk was insignificant. Therefore, no instruments had been applied for foreign currency hedging purposes.

As at 31 December 2012, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$3.2 million (2011: approximately HK$6.6 million) and approximately HK$14.0 million (2011: approximately HK$20.6 million), respectively. The available-for sale investments represent the fair value of equity investment in a listed entity of Hong Kong at as 31 December 2012. The financial assets at fair value through profit or loss represent held-for-trading investments in six equity securities listed in Hong Kong.

As at 31 December 2012, the Group held mortgage loans and loan receivables amounting to approximately HK$33.1 million (2011: approximately HK$11.9 million) and approximately HK$321.5 million (2011: approximately HK$280.7 million), respectively.

Liquidity and financial resources

The Group maintained a liquid position throughout the year. As at 31 December 2012, the Group held bank balances amounting to approximately HK$8.3 million (2011: approximately HK$18 million). The Group had HK$5.0 million borrowings and HK$30.0 million non-convertible bonds as at 31 December 2012 (2011: Nil).

Gearing ratio of the Group as at 31 December 2012, which was calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was 0.07 (2011: zero).

Capital structure

As at 31 December 2012, the Company's issued ordinary share capital was HK$43,514,886.6 divided into 435,148,866 shares of HK$0.10 each ("**Share(s)**") (31 December 2011: HK$435,148,866.70 divided into 4,351,488,667 Shares).

Regarding the open offer of the Company in 2010, the Company had issued a total of 449,999,997 options to the subscribers of the offer shares. The holders of the above options ("**Option holders**") were entitled to subscribe in cash for zero-coupon convertible bonds of the Company which had expired on 31 December 2012. During the year ended 31 December 2012, no Option holders exercised their rights to subscribe for the convertible bonds and the outstanding principal amount of the convertible bonds of HK$78,720 as at 31 December 2012 would be repaid to the respective convertible bond holders.

On 21 June 2012, all of the 552,000,000 outstanding non-listed warrants expired.

Capital Reorganisation

The Shareholders had at the Company's extraordinary general meeting held on 21 June 2012 approved the proposed capital reorganisation that involves:

(a) the capital reduction under which the authorised share capital of the Company would be reduced from HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.10 each to HK$300,000,000 divided into 30,000,000,000 reduced shares of HK$0.01 each and that such reduction be effected by cancelling HK$0.09 of the paid up capital on each issued share of HK$0.10 and reducing the par value of each issued or unissued share in the capital of the Company from HK$0.10 per share to HK$0.01 per reduced share;

(b) the share consolidation under which every ten (10) reduced shares of HK$0.01 each would be consolidated into one (1) adjusted share of HK$0.10 each;

(c) subject to the approval of and to the extent permitted by the court, the credit arising from the capital reduction would be utilized to set off the accumulated losses of the Company and any balance would be credited to the share premium account or such other reserve(s) as the court may direct; and

(d) corresponding amendments to the memorandum and articles of association of the Company.

For details and the meanings of the capitalized terms used in this section, please refer to the Company's announcements dated 19 April 2012, 27 April 2012, 9 May 2012, 21 June 2012, 18 July 2012, 14 August 2012, 14 September 2012, 6 November 2012, 21 November 2012, 29 November 2012 and 18 December 2012, respectively and the Company's circular dated 29 May 2012. The court had granted an order confirming the proposed capital reduction in the hearing of the petition held on 17 December 2012. All the conditions precedent to the capital reorganisation had been fulfilled and the capital reorganisation became effective after 4:00 p.m. on 19 December 2012.

Charge on group assets and contingent liabilities

The Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2012.

Capital commitment

The Group did not have any capital commitment as at 31 December 2012.

Material Acquisition

After 31 January 2012, the parties to the Previous Acquisition Agreement (as defined below) ("**Previous VSA Parties**") continued to negotiate on the possible further extension of the long stop date of the Previous Acquisition Agreement. The Previous VSA Parties were desirous to complete the Previous Acquisition and the discussions amongst the Previous VSA Parties have never broken down. However, in view of the Ruling (as defined below) which cast great uncertainty on the proceeding of the Previous Acquisition under the current structure, on 29 February 2012, the Previous VSA Parties reached an understanding not to further extend the long stop date of the Previous Acquisition Agreement, and instead discussed the way to proceed with the Previous Acquisition, including doing so in or under an optimal and/or revised structure (the "**Revised Structure**"). As such, the Previous VSA Parties may, subject to the execution of further supplemental agreement which, amongst others, sets out the terms and conditions of the Previous Acquisition or the Revised Structure, proceed with the Previous Acquisition or the Revised Structure regardless of the fact that the Previous Acquisition Agreement (as supplemented by the Fifth Supplemental Agreement) lapsed as on 29 February 2012.

On 24 August 2012 (after trading hours), the Previous VSA Parties mutually agreed to terminate the Previous Acquisition Agreement (as supplemented by the fifth supplemental agreement) by entering into a termination agreement (the "**Termination Agreement**").

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the Previous VSA Parties under the Previous Acquisition Agreement (as supplemented by the fifth supplemental agreement) shall be released and neither party shall have any claims against the other for or on account of the Previous Acquisition Agreement (as supplemented by the fifth supplemental agreement). Pursuant to the Termination Agreement, SV Technology shall return the initial deposit of HK$10,000,000 to the Previous Purchaser (as defined below) within 90 days from the date of the Termination Agreement (or such other date as the Previous Purchaser (as defined below) and SV Technology may agree in writing).

For further details, please refer to the Company's announcements dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012, 22 March 2012 and 24 August 2012, respectively, and the Company's circular dated 31 May 2011.

Fundraising activities

On 16 April 2012, the Company and the placing agent entered into the option placing agreement pursuant to which the Company had conditionally agreed to place and the placing agent has conditionally agreed to procure, on a best-effort basis, not less than six independent placees to subscribe for up to 100 options at a premium of HK$6,000 per option (the "**Option Placing Agreement**"). Owing to the then volatile market sentiment, the placing of such options had not taken place by the long stop date on 11 July 2012. Accordingly, the Option Placing Agreement was lapsed and the placing of options under the Option Placing Agreement did not proceed.

On 24 July 2012, the Company and the placing agent entered into the second placing agreement with respect of placing up to 100 options at a premium of HK$7,830 per option to not less than six independent placees (the "**Second Placing Agreement**"). Each optionholder was entitled to subscribe for convertible bonds of the Company in the principal amount of HK$156,000 at the subscription price of HK$156,000. Assuming exercise of all of the 100 options, the optionholders are entitled to subscribe for, in aggregate, convertible bonds of the Company in the principal amount of up to HK$15,660,000.

On 8 October 2012, the conditions of the Second Placing Agreement had been fulfilled and the net proceeds were approximately HK$653,000 with net placing price of HK$6,530 per option.

For further details, please refer to Company's announcements dated 19 April 2012, 24 July 2012 and 8 October 2012, respectively, and the Company's circular dated 28 May 2012.

Significant investments held

Save as reported above, as at 31 December 2012, the Group held no other significant investments.

Staff and remuneration

The Group had 14 (2011: 10) employees as at 31 December 2012 and total staff costs incurred during the year amounted to approximately HK$5 million (2011: approximately HK$2.9 million). The Group offered competitive remuneration packages to its employees. Other benefits included share options granted or to be granted under the share option scheme of the Company.

Outlook and Prospect

The loan financing business, which are mainly mortgage services, continued to generate interest income for the Group during the year ended 31 December 2012. In the view that the interest rate would increase gradually, the Group was optimistic that the loan financing business would generate higher income. While developing its strategy in treasury investment, which may consist of listed securities, treasury products and derivatives investment, the Group would continue exploring and broadening the existing businesses in order to strengthen its competitiveness and provide business growth potential. The Group was also looking for other investment opportunities to diversify its business portfolios. On the whole, the Group was devoted to improve its business performance in order to provide a reasonable return to its shareholders in view of the promising market outlook.

Year ended 31 December 2011 compared with year ended 31 December 2010

Results for the year

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

During the year under review, the Group recorded a revenue of approximately HK$38 million, representing an increase of approximately 101.1% as compared with HK$18.9 million for the last year. A loss for the year attributable to the owners of the Company of approximately HK$49.3 million (2010: approximately HK$33.7 million) was recorded.

Of the total revenue, approximately HK$38 million (2010: approximately HK$18.9 million) was generated from the Group's loan financing business which contributed a segment profit of approximately HK$34.3 million (2010: approximately HK$18.6 million). Such increase in profit was mainly attributable to the increase in interest income on loan receivables.

With respect to the treasury investments, a segment loss of approximately HK$42.6 million was recorded for the year under review, as compared with approximately HK$45.2 million for the last year.

Total assets

As at 31 December 2011, the total assets decreased to approximately HK$381.6 million (2010: approximately HK$397.1 million). All assets were denominated in Hong Kong dollars except for some bank balances which were denominated in United States dollars; as such, the Group's exposure to foreign exchange currency rate risk was insignificant. Therefore, no instruments had been applied for foreign currency hedging purposes.

As at 31 December 2011, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$6.6 million (2010: approximately HK$16.7 million) and HK$20.6 million (2010: approximately HK$28.2 million), respectively. The available-for-sale investments represented the fair value of equity investment in a listed entity of Hong Kong as at 31 December 2011. The financial assets at fair value through profit or loss represent held-for-trading investments in five equity securities listed in Hong Kong.

As at 31 December 2011, the Group held mortgage loans and loan receivables amounting to approximately HK$11.9 million (2010: approximately HK$129.5 million) and approximately HK$280.7 million (2010: approximately HK$124 million), respectively.

Liquidity and financial resources

The Group maintained a liquid position throughout the year. As at 31 December 2011, the Group held bank balances amounting to approximately HK$18 million (2010: approximately HK$77.1 million). The Group had no bank borrowing as at 31 December 2011 (2010: Nil).

Gearing ratio of the Group as at 31 December 2011, which was calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was zero (2010: zero).

Capital structure

As at 31 December 2011, the Company's issued ordinary share capital was HK$435,148,866.70 divided into 4,351,488,667 shares of HK$0.10 each ("**Share(s)**") (31 December 2010: HK$399,470,035.80 divided into 3,994,700,358 Shares).

Pursuant to the open offer of the Company in 2010, the Company has issued a total of 449,999,997 options to the subscribers of the offer shares ("**Option(s)**"). The Option holders are entitled to subscribe in cash for the zero-coupon convertible bonds of the Company due 31 December 2012, during the period from 5 May 2010 to 4 May 2011 (the "**Exercise Period**") (collectively, the "**Convertible Bonds**").

During the current year, Convertible Bonds in the aggregate principal amount of HK$34,698,225 were issued upon the exercises of subscription right attached to 346,982,249 Options, which raised net proceeds of approximately HK$34,678,831; and 346,788,309 new Shares were issued upon the exercises of subscription right attached to Convertible Bonds in the aggregate principal amount of HK$34,678,831. 55,224,130 Options that remained unexercised lapsed upon the expiry of the Exercise Period. As at 31 December 2011, the Company had Convertible Bonds in the principal amount of HK$78,720 outstanding, of which the conversion in full at the initial conversion price of HK$0.10 per conversion share (subject to adjustment) would result in a further issuance of a maximum of 787,200 new Shares.

As at 31 December 2011, the Company had 552,000,000 non-listed warrants ("**Warrants**") outstanding. During the year under review, 10,000,000 new Shares were issued at the initial exercise price of HK$0.147 upon the exercise of subscription right attached to 10,000,000 Warrants and net proceeds of approximately HK$1.47 million were raised.

The authorised share capital of the Company was increased from HK$500,000,000 divided into 5,000,000,000 Shares to HK$3,000,000,000 divided into 30,000,000,000 Shares on 24 June 2011 pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 24 June 2011.

Charge on group assets and contingent liabilities

The Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2011.

Capital Commitment

The Group did not have any capital commitment as at 31 December 2011.

Material Acquisition

The sale and purchase agreement dated 23 February 2011 (as amended) (the "**Previous Acquisition Agreement**") was entered into by and between Wise Planner Limited, a wholly-owned subsidiary of the Company (the "**Previous Purchaser**"), Carbon Reserve Investments Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Season Best Investments Limited, Smart Promise Limited, SV Technology Company Limited (as the vendors, collectively, the "**Previous Vendors**"), Mr. Wong Ho Yuen, Mr. Wu Gang (the "**SV Technology Guarantors**") and the Company (as the Previous Purchaser's guarantor) with respect to the acquisition of the entire issued share capital of Weldtech Technology Co. Limited ("**Weldtech Technology**") at a total consideration of HK$2,800,000,000 (the "**Consideration**", HK$10,000,000 of the Consideration had been paid by the Company to SV Technology Company Limited (being one of the Vendors) as the refundable deposit and part payment of the Consideration) (collectively, the "**Previous Acquisition**").

Weldtech Technology holds the entire equity interest in 日滔貿易(上海)有限公司, a wholly foreign-owned enterprise established in the People's Republic of China (the "**PRC**") (the "**WFOE**") (Weldtech Technology together with the WFOE referred to as the "**Weldtech Group**"). Pursuant to the business licence of the WFOE, the business scope of the WFOE, among others, included wholesale of cooling systems, mechanical and electrical products, construction materials and fitting out materials (excluding concrete and steel), building's exterior metal-made products and building's energy-saving and consultancy services. According to the Previous Vendors, the WFOE would provide 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.

The Previous Acquisition constituted a very substantial acquisition for the Company under the Listing Rules and was approved by the Shareholders at the extraordinary general meeting of the Company held on 24 June 2011. Later, the third supplemental agreement and the forth supplemental agreement were entered into on 20 July 2011 and 6 October 2011, respectively, thereby, the long stop date of the Previous Acquisition Agreement was extended to 30 December 2011.

On 22 December 2011, Previous VSA Parties entered into a fifth supplemental agreement (the "**Fifth Supplemental Agreement**") to amend certain terms and conditions of the Previous Acquisition Agreement (the "**Proposed Amendment**") and to extend the long stop date thereof to 31 January 2012.

Furthermore, on 22 December 2011, the placing agent, the Company and the Purchaser entered into a supplemental placing agreement (the "**Supplemental Placing Agreement**") to amend certain terms and conditions of the Second Placing Agreement (the details of which are reported under "Fund Raising Activities" below).

During the vetting of the draft announcement of the Company in relation to the Fifth Supplemental Agreement and the Supplement Placing Agreement, the Listing Division of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") considered that the Proposed Amendment was a material variation to the terms of the Previous Acquisition Agreement and the Previous Acquisition under Rule 14.36 of the Listing Rules and ruled that the Company should re-comply with all applicable requirements for a very substantial acquisition under the Chapter 14 of the Listing Rules for the Fifth Supplemental Agreement, including that the Fifth Supplemental Agreement should be made conditional on approval by the Shareholders in general meeting (the "**Ruling**"). Although the Board did not agree with the Ruling and the Company eventually decided not to proceed with the review of the Ruling.

For further details, please refer to the Company's announcements dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012 and 22 March 2012, respectively, and the Company's circular dated 31 May 2011.

Fund raising activities

The Company, in anticipation of the funding requirement for the cash consideration, business development and working capital requirement of the Weldtech Group and/or other future potential investment and business opportunities of the Group, entered into a placing agreement on 9 June 2011 (as amended) (the "**Placing Agreement**") with respect to a placing of up to 6,250,000,000 placing shares (the "**Placing**"). Owing to the then global financial turmoil, the Placing could not be completed by the long stop date on 30 September 2011, accordingly, the Placing Agreement lapsed. For further details, please refer to the Company's announcements dated 9 June 2011, 20 July 2011 and 30 September 2011, respectively, and the Company's circular dated 22 June 2011.

On 18 October 2011, the Company and FT Securities Limited (the "**Placing Agent**") entered into the second placing agreement with respect of a placing of 6,500,000,000 placing shares to replace the Placing Agreement (collectively, the "**Second Placing Agreement**"). On 22 December 2011, the Supplemental Placing Agreement was entered into to amend the Second Placing Agreement. With the lapsing of the Sale and Purchase Agreement on 29 February 2012 reported above, the placing contemplated under the Supplemental Placing Agreement (the "**Revised Placing**") could not proceed in its structure as enshrined under the Supplemental Placing Agreement. The Company and the Placing Agent, on 21 March 2012, entered into an agreement to terminate the Revised Placing unconditionally. For further details, please refer to the Company's announcements dated 18 October 2011, 30 November 2011, 9 January 2012, 12 January 2012 and 22 March 2012, respectively, and the Company's circular dated 15 November 2011.

Furthermore, as reported under the section headed "Capital Structure" above, during the year ended 31 December 2011, net proceeds of approximately HK$34.7 million and HK$1.47 million were raised from the exercises of the Options and the issuance of 10,000,000 new Shares upon the exercise of the subscription right attached to 10,000,000 Warrants, respectively. Such net proceeds were fully applied to the Group's general working capital as intended.

As at 31 December 2011, there were 552,000,000 Warrants outstanding, each of which entitled the holder thereof to subscribe for one Share at an initial warrant exercise price of HK$0.147 per share (subject to adjustment) during a period of 24 months ending on 21 June 2012. On this basis, further net proceeds of up to approximately HK$81 million may be raised in the future from the issuance of new Shares upon the exercise in full (if occurs) of the subscription rights attached to such Warrants.

Significant investments held

Save as reported above, as at 31 December 2011, the Group held no other significant investments.

Staff and remuneration

The Group had 10 (2010:11) employees at 31 December 2011 and total staff costs incurred during the year amounted to approximately HK$2.9 million (2010: approximately HK$3.8 million). The Group offers competitive remuneration packages to its employees.

Outlook and Prospect

It had been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value to the shareholders of the Company. In this connection, the Company had identified the Weldtech Group as an appropriate acquisition target to the Group and is of the view that the Acquisition would allow the Group to diversify into a new line of business with significant growth potential.

While no final decision had been made as at date of the annual report of the Company for the year ended 31 December 2011, the Directors were optimistic about the outcome of such discussions and shall give their best efforts to cooperate with the Previous VSA Parties to proceed with the Previous Acquisition or the Revised Structure as soon as possible.

Meanwhile, the Company was advised by the vendors of the Previous Acquisition that the Weldtech Group has, since the release of the circular with respect to the Previous Acquisition dated 31 May 2011 by the Company, executed various agreements with customers including, but not limited to government authorities, real estate developers, hotel chains, semiconductor conglomerates and automobile conglomerates regarding retrofitting of existing building projects and/or new building construction projects with the UPPC system.

Year ended 31 December 2010 compared with year ended 31 December 2009

Results for the year

The Group was principally engaged in treasury investments and the provision of loan finance.

The revenue contributed by loan financing recorded a sharp increase to approximately HK$18.8 million (2009: approximately HK$1.7 million) and the profit contributed by loan financing sharply increased to approximately HK$18.6 million (2009: approximately HK$1.7 million).

The revenue contributed by the treasury investments decreased to approximately HK$0.098 million (2009: approximately HK$2.2 million) as a result of decrease in interest on available-for-sale investments and bank deposits. The loss contributed by treasury investments sharply increased to approximately HK$45.2 million (2009: profit of approximately HK$13.3 million).

Total assets

At 31 December 2010, the total assets increased to approximately HK$397.1 million (2009: approximately HK$232.4 million). All assets were denominated in Hong Kong dollars except for some bank balances which were denominated in United States dollars; as such, the Group's exposure to foreign exchange currency rate risk was insignificant.

As at 31 December 2010, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$16.7 million (2009: Nil) and HK$28.2 million (2009: approximately HK$109.9 million), respectively. The available-for-sale investments represent the fair value of an equity investment of a listed entity in Hong Kong at as 31 December 2010. The financial assets at fair value through profit or loss represent held-for-trading investments in two equity securities listed in Hong Kong. As at 31 December 2010, the Group held mortgage loan and loan receivables amounting to approximately HK$129.5 million (2009: approximately HK$69.8 million) and approximately HK$124 million (2009: approximately HK$10 million), respectively.

Liquidity and financial resources

The Group maintained a liquid position throughout the year. As at 31 December 2010, the Group held bank balances amounting to approximately HK$77.1 million (2009: approximately HK$23 million). Gearing ratio of the Group as at 31 December 2010, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was zero (2009: 0).

Capital structure

As at 31 December 2010, the Company's issued ordinary share capital was HK$399,470,036 divided into 3,994,700,358 shares of HK$0.1 each (31 December 2009: HK$225,000,000 divided into 225,000,000 shares of HK$1 each).

Pursuant to the special resolutions passed at the extraordinary general meeting of the Company held on 10 February 2010 (the "**EGM**"), each of the issued and unissued shares of HK$1.00 each in the share capital of the Company was subdivided into 10 shares of HK$0.10 each (the "**Subdivided Shares**") (collectively, referred to as the "**Share Subdivision**"), and the authorised share capital of the Company was increased from HK$300,000,000 to HK$500,000,000 by the creation of an additional 2,000,000,000 Subdivided Shares after the completion of the Share Subdivision.

On 5 May 2010, the Company allotted and issued 562,500,000 ordinary shares of HK$0.1 each to the qualifying shareholders pursuant to an open offer on the basis of one offer share (with a further option to subscribe for convertible bonds ("**Option**")) for every four existing shares at a subscription price of HK$0.1 per offer share (collectively, the "**Open Offer**").

Pursuant to the Open Offer, the Company has issued a total of 449,999,997 Options to the subscribers of the offer shares. Option holders were entitled to subscribe in cash for the zero-coupon convertible bonds of the Company during the period from 5 May 2010 to 4 May 2011 (the "**Convertible Bonds**"). The Convertible Bonds, if fully subscribed, may be converted into a maximum of 449,999,997 new Shares of the Company of HK$0.1 each at the initial conversion price of HK$0.1 per Share. These Convertible Bonds would mature on 31 December 2012. The Company had sole and absolute discretion to redeem any outstanding Convertible Bonds on the maturity date at 100% of their principal amount or by issuing new Shares to the respective Convertible Bond holders at the conversion price.

During the year under review, 47,793,618 Options were exercised by the Option holders, and the Convertible Bonds in a principal amount of HK$4,779,362 were issued accordingly.

During the year ended 31 December 2010, Convertible Bonds in the principal amount of approximately HK$4,720,036 were converted into 47,200,358 Shares and as at 31 December 2010, the Company had Convertible Bonds in the principal amount of approximately HK$59,326 outstanding and 402,206,379 Options outstanding. The exercise in full of these outstanding options would result in further issuance of Convertible Bonds in the principal amount of approximately HK$40,220,638, which was convertible into a maximum of 402,206,379 new Shares.

On 10 May 2010, the Company and Fortune (HK) Securities Limited (as the placing agent) entered into a placing agreement in respect of the placement of 562,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant conferred the right to subscribe for one ordinary share of the Company of HK$0.10 each at an exercise price of HK$0.18 (the "**Warrant Placing Agreement**"). In view of the change in market conditions, the placing agent and the Company agreed to vary the Warrant Placing Agreement by terminating the Warrant Placing Agreement and entering into the Supplemental Warrant Placing Agreement on 7 June 2010, pursuant to which the initial exercise price was amended from HK$0.18 to HK$0.147 per warrant. The placement was completed on 22 June 2010 and the warrants issued shall expire on 21 June 2012. No warrant had been exercised during the year ended 31 December 2010.

On 12 August 2010, the Company and Kingston Securities Limited (as the placing agent) entered into a placing agreement pursuant to which the Company had conditionally agreed to place, through the placing agent on a best effort basis, up to 1,135,000,000 placing shares ("**Placing Share(s)**") at a price of HK$0.11 per Placing Share. On 28 December 2010, the Company completed the placing of 1,135,000,000 shares of the Company at a price of HK$0.11 per Placing Share. The net proceeds from the placing amounted to approximately HK$121.73 million.

Charge on group assets and contingent liabilities

The Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2010.

Capital Commitment

The Group did not have any capital commitment as at 31 December 2010.

Material acquisitions and disposals of subsidiaries and associated companies

The Group disposed its 100% equity interest in Tack On Limited to a third party for a consideration of HK$9,700,000 during the year ended 31 December 2010.

Significant investments held

As at 31 December 2010, the Group held available-for-sale financial assets amounted to approximately HK$16.7 million (2009: Nil) and financial asset at fair value through profit or loss amounted to approximately HK$28.2 million (2009: approximately HK$109.9 million).

Fund raising activities

As disclosed under the section headed "Capital Structure" above, during the year under review, the Company had conducted an open offer of shares entitling the subscribers thereof a further Option to subscribe for Convertible Bonds. The aggregate gross proceeds from the open offer were HK$56.25 million. Assuming full exercise of the Option, an additional maximum amount of HK$45 million (before expenses) will be raised. As at 31 December 2010, the net proceeds from the open offer (approximately HK$54 million) and from the exercise of the Option (approximately HK$4.8 million) had been applied as general working capital of the Group as originally intended.

In addition, the Company entered into the supplemental warrant placing agreement with Fortune (HK) Securities Limited on 7 June 2010 in relation to the placing of 562,000,000 warrants, at the warrant issue price of HK$0.01 per warrant. The warrant placement was completed on 22 June 2010, generating net proceeds of approximately HK$5.3 million which were applied as general working capital of the Group as originally intended. The warrant exercise price was HK$0.147 per Share (subject to adjustment) and the warrants might be exercised at any time during a period of 24 months commencing from the date of issue of the warrants. No warrant had been exercised during the period ended 31 December 2010. On such basis, further net proceeds of up to a maximum of approximately HK$82.6 million from the issue of the new shares upon the exercise of the subscription rights attached to the warrants may be raised in future.

On 12 August 2010, the Company and Kingston Securities Limited (as the placing agent) entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, up to 1,135,000,000 Placing Shares at a price of HK$0.11 per Placing Share. On 28 December 2010, the Company completed the placing of 1,135,000,000 shares of the Company at a price of HK$0.11 per Placing Share. The net proceeds from the placing amounted to approximately HK$121.73 million.

Staff and remuneration

The Group had 11 (2009: 12) employees at 31 December 2010 and total staff costs incurred during the year amounted to approximately HK$3.8 million (2009: approximately HK$4.6 million). The Group offers competitive remuneration packages to its employees. Currently, there was no share option granted or exercised during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE WELDTECH GROUP

The following discussion and analysis should be read in conjunction with the financial information of the Weldtech Group for the two years ended 31 March 2011 and 2012, nine months ended 31 December 2012 and ten months ended 31 October 2013 as set out in the Appendix II of this circular.

Review of Historical Results of Operations

Ten months ended 31 October 2013

Revenue and gross profit

Revenue generated from the provision of the UPPC System and energy saving solutions accounted for the majority of the total revenue of the Weldtech Group. Revenue increased by approximately 18.6% to approximately HK$18.5 million for the ten months ended 31 October

2013 as compared to approximately HK$15.6 million for the ten months ended 31 October 2012. The increase in revenue was primarily due to the management's continuous efforts on getting orders from new customers.

The gross profit increased by approximately 125% to approximately HK$11.9 million for the ten months ended 31 October 2013 from approximately HK$5.3 million for the ten months ended 31 October 2012. The increase in gross profit was primarily due to the reasons that (i) more EMC projects were completed, and these completed projects generally achieved a gross profit margin which is higher than 60% and (ii) the management's continuous efforts on localisation of sourcing equipment and material used for UPPC Systems which lowered the project cost. Instead of centralizing the procurement in Shanghai headquarter, the Weldtech Group's management managed to source equipment and materials locally for projects located in other cities. For example, for projects located in Guangzhou, certain equipment and material parts were sourced from the nearby area of Guangzhou rather than from Shanghai. As such, the cost of sourcing certain equipment was less than that of sourcing the items from Shanghai by approximately 10% to 15% as transportation and shipping delivery costs were reduced. Moreover, with increasing purchases from these local suppliers, the Weldtech Group was able to negotiate lower prices for future purchases as the volume increased. This resulted in lowering the total project cost. The gross profit margin improved from approximately 34% for the ten months ended 31 October 2012 to approximately 64% for the ten months ended 31 October 2013.

Other revenue

Other revenue represented interest income on finance lease receivables and bank interest income, and has substantially increased from approximately HK$1 million for the ten months ended 31 October 2012 to approximately HK$2.5 million for the corresponding period in 2013. The increase primarily resulted from the fact that the Weldtech Group experienced a significant growth in the EMC business since 2012 and more EMC projects were completed in late 2012, and the revenue generated from these EMC projects was recognized in accordance with the finance lease model under Hong Kong Financial Reporting Standards 17.

Selling expenses

Selling expenses represented, amongst others, salary of sales staff, project consultancy fee, travelling expenses, rental of sales office and exhibition fees. The selling expenses for the ten months ended 31 October 2013 decreased to approximately HK$7.4 million from approximately HK$12.0 million for the ten months ended 31 October 2012, which was due to a decrease in the amount of remuneration paid to sales staff during the ten months ended 31 October 2013.

Administrative expenses

Administrative expenses represented, amongst others, salary of administrative staff, travelling expenses, office expenses, rental and building management fees. The administrative expenses remained at a stable level of approximately HK$30.0 million for both periods ended 31 October 2012 and 2013.

Finance cost

Finance cost represented interest expenses on shareholder's loan and bank loan. The finance cost had significantly decreased by approximately 49% in the ten months ended 31 October 2013 as compared to the corresponding period in 2012. The Weldtech Group borrowed a bridge loan of HK$ 22.6 million in March 2012 from a shareholder with an interest rate of 12% per annum. This bridge loan was repaid in August 2012, which led to the substantial decrease in finance cost in 2013.

Segment information

No segment information was presented as the Weldtech Group's revenue for the ten months ended 31 October 2013 was derived solely from the provision of the UPPC System and energy saving solutions in the PRC and the interest income on the energy saving equipments leased.

Liquidity and financial resources

For the ten months ended 31 October 2013, the Weldtech Group financed the operations and capital expenditures with internally generated resources, bank borrowings and funding from shareholders. As at 31 October 2013, the Weldtech Group held bank balances amounting to approximately HK$14.0 million and a pledged bank deposit of approximately HK$1.4 million. Pledged bank deposits represent the deposits pledged to the bank for the guarantee deposit of maintenance fund of sale of goods. The pledge will be released upon the warranty of sale of goods project is expired.

Contingent liabilities

There were no significant contingent liabilities as at 31 October 2013.

Capital commitment

The Weldtech Group had a capital commitment of approximately HK$1 million as at 31 October 2013 which principally arose from the construction contracts.

Prospects for new business

According to the management of the Weldtech Group, for the period from 1 January 2013 to 31 October 2013, the Weldtech Group has been focusing on the UPPC business and successfully expanded the number of UPPC projects in the PRC. After the Completion, the Weldtech Group will become a subsidiary of the Company and the growth of the provision of the UPPC System and energy saving solutions is expected to continue. The expectation of growth in the provision of UPPC System and energy saving solutions is based on the favourable future prospect of the Weldtech Group, taking into consideration (i) the benefits derived from the Strategic Partnership Agreements and the Cooperation Agreement, (ii) the continual commitment of the PRC government towards supporting the energy saving industry, (iii) the patent registrations in relation to the UPPC System possessed by the Weldtech Group cementing its unique competitive advantage in the market, (iv) the expertise of the Weldtech Group's internal research and development team driving its technological innovation, (v) the pipeline projects on hand and the expected repeat orders from the existing customers; and (vi) the expected availability of funding to the Weldtech Group to the effective roll-out of its projects following the Acquisition.

Plans for material investments

The Weldtech Group completed the construction of one UPPC project in the PRC in the ten months ended 31 October 2013 and had seven EMC projects under construction as at 31 October 2013 which were expected to be completed in and around mid 2014. The Weldtech Group plans to engage in 90 additional projects by 31 December 2014 upon the Completion.

Material acquisitions and disposals of subsidiaries and associated companies

The Weldtech Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the ten months ended 31 October 2013.

Significant investments held

The Weldtech Group did not hold any significant investments as at 31 October 2013.

Staff and remuneration

The Weldtech Group had 50 employees at 31 October 2013 and total staff costs incurred during the period amounted to approximately HK$21.8 million. The Weldtech Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice.

Foreign currency risk management

The Weldtech Group was mainly exposed to the effects of fluctuation of Renminbi as the main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi. The Weldtech Group did not use any derivative financial instruments to hedge its foreign exchange risk exposure during the ten months ended 31 October 2013.

Nine months ended 31 December 2012

Revenue and gross profit

Revenue decreased by approximately 11% to the annualized[1] amount of approximately HK$ 26.4 million for the nine months ended 31 December 2012 from approximately HK$ 29.7 million for the year ended 31 March 2012. The revenue for the year ended 31 March 2012 resulted from one particular significant buyout project amounting to approximately HK$20 million and other three EMC projects amounting to approximately HK$9.4 million. The Weldtech Group has focused on the expansion of EMC business model since 2012 and the number of completed EMC projects with their revenue recognized during the period increased to ten during the period, achieving a total revenue of approximately HK$15.9 million arising from EMC projects for the nine months ended 31 December 2012. The annualized[1] amount of the revenue for the nine months ended 31 December 2012 decreased slightly due to change of management's focus and sales mix to EMC projects.

The gross profit increased by approximately 95% to the annualized[2] amount of approximately HK$11.5 million for the nine months ended 31 December 2012 from approximately HK$5.9 million for the year ended 31 March 2012. The increase in gross profit was primarily due to the low gross profit margin of 17% for the one particular significant buyout project for the year ended 31 March 2012 where project revenue accounted for 69% of annual sales. The gross profit margin improved from 19.7% for the year ended 31 March 2012 to 43.6% for the nine months ended 31 December 2012 as a result of change of sales focus on EMC models.

Other revenue

Other revenue represented the interest income on finance lease receivables and bank interest income, and the amount has significantly increased from approximately HK$0.7 million for the year ended 31 March 2012 to an annualized[3] amount of approximately HK$3.1 million for the nine months ended 31 December 2012. The increase was primarily due to the fact that the Weldtech Group focused on the EMC business model since 2012 and more EMC projects

1 The revenue for the nine months ended 31 December 2012 was approximately HK$19,815,000. The annualized amount represents the hypothetical amount of the revenue for the year ended 31 March 2013 which is arrived at by multiplying the revenue for the nine months ended 31 December 2012 by a fraction (i.e. 12/9 in the present case) as if the same proportion of revenue was recognized for the three months ended 31 March 2013.

2 The gross profit for the nine months ended 31 December 2012 was approximately HK$8,638,000. The annualized amount represents the hypothetical amount of the gross profit for the year ended 31 March 2013 which is arrived at by multiplying the gross profit for the nine months ended 31 December 2012 by a fraction (i.e. 12/9 in the present case) as if the same proportion of gross profit was recognized for the three months ended 31 March 2013.

3 The other revenue for the nine months ended 31 December 2012 was approximately HK$2.3 million. The annualized amount represents the hypothetical amount of the other revenue for the year ended 31 March 2013 which is arrived at by multiplying the other revenue for the nine months ended 31 December 2012 by a fraction (i.e. 12/9 in the present case) as if the same proportion of other revenue was recognized for the three months ended 31 March 2013.

were completed in late 2012. To illustrate the significant growth in the EMC business since 2012, for the year ended 31 March 2012, only four EMC projects were completed whereas for the nine months ended 31 December 2012, ten EMC projects were completed.

Selling expenses

Selling expenses represented, amongst others, salary of sales staff, project consultancy fees, travelling expenses, rental of sales office and exhibition fees. The selling expenses for the nine months ended 31 December 2012 increased by approximately 13.3% to an annualized[4] amount of approximately HK$13.6 million from approximately HK$12 million for the year ended 31 March 2012. The increase in selling expense was in line with the expansion of EMC business and increasing number of EMC projects in late 2012.

Administrative expenses

Administrative expenses represented, amongst others, salary of administrative staff, travelling expenses, office expenses, rental and building management fees. The administrative expenses increased significantly by approximately 73% from approximately HK$19.3 million for the year ended 31 March 2012 to the annualized[5] amount of approximately HK$33.4 million for the nine months ended 31 December 2012. The significant increase mainly resulted from the increase of management's remuneration of approximately HK$1.9 million and incurrence of legal and financial advisory fee of approximately HK$7.2 million in connection with the fund raising by the Weldtech Group from its shareholders in August 2012.

Finance cost

Finance cost represented interest expenses on a shareholder's loan and a bank loan. The finance cost increased significantly to approximately HK$2.0 million for the annualized[6] amount for the nine months ended 31 December 2012 as compared to the year ended 31 March 2012. The Weldtech Group borrowed a bridge loan of HK$22.6 million in March 2012 from its shareholder with an interest rate of 12% interest per annum which led to the substantial increase of finance cost for the nine months ended 31 December 2012. This bridge loan was repaid in August 2012.

4 The selling expenses for the nine months ended 31 December 2012 was approximately HK$10.2 million. The annualized amount represents the hypothetical amount of the selling expenses for the year ended 31 March 2013 which is arrived at by multiplying the selling expenses for the nine months ended 31 December 2012 by a fraction (i.e. 12/9 in the present case) as if the same proportion of selling expenses was recognized for the three months ended 31 March 2013.

5 The administrative expenses for the nine months ended 31 December 2012 was approximately HK$25.1 million. The annualized amount represents the hypothetical amount of the administrative expenses for the year ended 31 March 2013 which is arrived at by multiplying the administrative expenses for the nine months ended 31 December 2012 by a fraction (i.e. 12/9 in the present case) as if the same proportion of administrative expenses was recognized for the three months ended 31 March 2013.

6 The finance cost for the nine months ended 31 December 2012 was approximately HK$1.48 million. The annualized amount represents the hypothetical amount of the finance cost for the year ended 31 March 2013 which is arrived at by multiplying the finance cost for the nine months ended 31 December 2012 by a fraction (i.e. 12/9 in the present case) as if the same proportion of finance cost was recognized for the three months ended 31 March 2013.

Segment information

No segment information was presented as the Weldtech Group's revenue for the nine months ended 31 December 2012 was derived solely from provision of the UPPC System and energy saving solutions in the PRC and the interest income on the energy saving equipments leased.

Liquidity and financial resources

For the nine months ended 31 December 2012, the Weldtech Group financed the operations and capital expenditure with internally generated resources, bank borrowings and funding from shareholders. As at 31 December 2012, the Weldtech Group held bank balances amounting to approximately HK$43.8 million and had an outstanding bank borrowing of approximately HK$2.4 million. The Weldtech Group had an outstanding loan with a PRC bank which carried a loan balance of approximately HK$2.4 million with a term of 2.5 years. The bank borrowings is due in June 2014 and will be settled in accordance with the repayment schedule as agreed with the bank. As at 31 December 2012, the gearing ratio (as defined as bank borrowings over total equity) was 3.8%.

Charge on assets and contingent liabilities

The Weldtech Group had a finance lease receivable of approximately HK$5.3 million held as security for bank borrowings at 31 December 2012 and there were no significant contingent liabilities as at 31 December 2012.

Capital commitment

The Weldtech Group had a capital commitment of approximately HK$2.1 million as at 31 December 2012 which was principally arising from the construction contracts.

Prospects for new business

According to the management of the Weldtech Group, for the period from 1 April 2012 to 31 December 2012, the Weldtech Group had moved focus to the UPPC business and successfully expanded UPPC projects in the PRC.

Plans for material investments

The Weldtech Group has completed the construction of ten UPPC projects in PRC in the nine months ended 31 December 2012 and had three EMC projects under construction as at 31 December 2012 which were expected to be completed in 2013.

Material acquisitions and disposals of subsidiaries and associated companies

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

Significant investments held

The Weldtech Group did not hold any significant investments as at 31 December 2012.

Staff and remuneration

The Weldtech Group had 81 employees as at 31 December 2012 and total staff costs incurred during the period amounted to approximately HK$15.7 million. The Weldtech Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice.

Foreign currency risk management

The Weldtech Group was not exposed to material foreign currency risk as the main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi. The Weldtech Group did not use any derivative financial instruments to hedge its foreign exchange risk exposure during the nine months ended 31 December 2012.

Year ended 31 March 2012

Revenue and gross profit

Revenue increased by approximately 1,550% to approximately HK$29.7 million for the year ended 31 March 2012 from approximately HK$1.8 million for the year ended 31 March 2011. The Weldtech Group launched its UPPC energy saving business during the year ended 31 March 2011 and the revenue of the year generated from the first EMC project for a commercial property, amounted to approximately HK$1.8 million. The Weldtech Group expanded the EMC business during the year ended 31 March 2012 and completed four EMC projects with total revenue of approximately HK$9 million and one significant buyout project with an automotive manufacturer with revenue of approximately HK$20 million during the period. The Weldtech Group entered into two buyout contracts with the customer in November 2010 and April 2011, respectively, with total contract sum of approximately HK$28 million. The buyout contracts were the first UPPC buyout project with relative low margin of 17%, which took more than a year to complete and the Weldtech Group recognized the project revenue for the year ended 31 March 2012 by reference to completion stage.

The gross profit increased by approximately 881.2% from approximately HK$0.6 million for the year ended 31 March 2011 to approximately HK$5.9 million for the year ended 31 March 2012. The increase in gross profit was primarily due to growth of business and more EMC projects were engaged during the year ended 31 March 2012. The gross profit margin dropped from 33.3% for the year ended 31 March 2011 to 19.7% for the year ended 31 March 2012 as a result of the dilution impact on the overall gross profit margin of the significant buyout project with a relatively lower margin of 17% which accounted for 67% of total annual sales for the year ended 31 March 2012.

Other revenue

Other revenue represented interest income on finance lease receivables and the amount has increased from approximately HK$0.17 million for the year ended 31 March 2011 to approximately HK$0.7 million for the year ended 31 March 2012 due to increase in EMC projects.

Selling expenses

Selling expenses represented, amongst others, salary of sales staff, project consultancy fees, travelling expenses, rental of sales office and exhibition fees. The selling expenses increased by approximately 367.2% from approximately HK$2.6 million for the year ended 31 March 2011 to approximately HK$12.0 million for the year ended 31 March 2012. The increase in selling expenses was primarily due to the increase in salary expenses of approximately HK$5.4 million and project consultancy expenses of approximately HK$1.8 million and travelling expenses of approximately HK$1.1 million, which was in line with the growth of EMC business and increase of EMC projects numbers in the year ended 31 March 2012.

Administrative expenses

Administrative expenses represented, amongst others, salary of administrative staff, travelling expenses, office expenses, rental and building management fees. The administrative expenses increased significantly by approximately 141.5% from approximately HK$8.0 million for the year ended 31 March 2011 to approximately HK$19.3 million for the year ended 31 March 2012. The significant increase was mainly due to the increase in salary expenses of approximately HK$8.7 million and travelling expenses of approximately HK$1.5 million in the year ended 31 March 2012, which was in line with the growth of EMC business and increase in the number of EMC projects for the year ended 31 March 2012.

Finance cost

Finance cost represented interest expenses on bank loan. The finance cost increased from nil for the year ended 31 March 2011 to approximately HK$0.07 million for the year ended 31 March 2012. The Weldtech Group borrowed a bank loan of HK$3.9 million in December 2011 whilst there was no loan arrangement for the year ended 31 March 2011.

Segment information

No segment information was presented as the Weldtech Group's revenue for the year ended 31 March 2012 was derived solely from provision of UPPC System and energy saving solutions in the PRC and the interest income on the energy saving equipments leased.

Liquidity and financial resources

For the year ended 31 March 2012, the Weldtech Group financed the operations and capital expenditures with internally generated resources, bank borrowings and funding from its shareholders. As at 31 March 2012, the Weldtech Group held bank balances amounting to approximately HK$14.0 million, two bank borrowings with aggregate loan balance of approximately HK$7.3 million and a shareholder's loan of approximately HK$22.6 million and an amount due to related companies of HK$28.4 million. The Weldtech Group entered into two bank loan agreements which carried loan balances of HK$3.6 million and HK$3.7 million with a loan term of 2.5 years and one year, respectively. This bank borrowing amounting to HK$3.5 million is due in June 2014 and will be settled in accordance with the repayment schedule as agreed with the bank.

Charge on assets and contingent liabilities

The Weldtech Group had a finance lease receivable of approximately HK$6.4 million held as security for bank borrowings at 31 March 2012 and there were no significant contingent liabilities as at 31 March 2012.

Capital commitment

The Weldtech Group had a capital commitment of approximately HK$3.1 million as at 31 March 2012 which principally arose from the construction contracts.

Prospects for new business

According to the management of the Weldtech Group, for the year ended 31 March 2012, the Weldtech Group had focused on the UPPC business expansion and successfully expanded UPPC projects in the PRC.

Plans for material investments

The Weldtech Group completed the construction of four EMC projects and two significant buyout contracts in the PRC, the revenue of which were recognized for the year ended 31 March 2012 and had eight EMC projects under construction which were expected to be completed by the end of 2012.

Material acquisitions and disposals of subsidiaries and associated companies

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

Significant investments held

The Weldtech Group did not hold any significant investments as at 31 March 2012.

Staff and remuneration

The Weldtech Group had 71 employees at 31 March 2012 and total staff costs incurred during the period amounted to approximately HK$18.8 million. The Weldtech Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice.

Foreign currency risk management

The Weldtech Group was not exposed to material foreign currency risk as the main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi. The Weldtech Group did not use any derivative financial instruments to hedge its foreign exchange risk exposure during the year ended 31 March 2012.

Year ended 31 March 2011

Revenue and gross profit

The Weldtech group launched UPPC energy saving business in the year ended 31 March 2011 and the revenue of the year generated from the first EMC project for a commercial property amounted to approximately HK$1.8 million. The project contributed a gross profit of approximately HK$0.6 million at a profit margin of 33.3%.

Other revenue

Other revenue represented interest income on finance lease receivables and the amount represented interest income of approximately HK$0.17 million arising from the sole EMC project during the year 2011.

Selling expenses

Selling expenses for the year ended 31 March 2011 amounted to approximately HK$2.6 million. It mainly consisted of salary expenses of approximately HK$1.6 million, travelling expenses of approximately HK$0.4 million and other miscellaneous expenses.

Administrative expenses

Administrative expenses for the year ended 31 March 2011 amounted to approximately HK$8.0 million. It mainly represented salary expenses of approximately HK$3.0 million, professional consultancy expenses of approximately HK$1.7 million, rental expenses of approximately HK$0.8 million and other miscellaneous expenses.

Finance cost

There was no finance cost incurred during the year ended 31 March 2011.

Segment information

No segment information was presented as the Weldtech Group's revenue for the year ended 31 March 2011 was derived solely from provision of the UPPC System and energy saving solutions in the PRC and the interest income on the energy saving equipments leased.

Liquidity and financial resources

For the year ended 31 March 2011, the Weldtech Group financed the operations and capital expenditures with internally generated resources and funding from its shareholders. As at 31 March 2011, the Weldtech Group held bank balances amounting to approximately HK$0.3 million and an amount due to related company of approximately HK$9 million. As at 31 March 2011, the gearing ratio as defined as bank borrowings over total equity was not meaningful as the Weldtech Group had a net deficit attributable to the accumulated loss.

Charge on assets and contingent liabilities

The Weldtech Group had no charge on its assets at 31 March 2011 and there were no significant contingent liabilities as at 31 March 2011.

Capital commitment

The Weldtech Group had a capital commitment of approximately HK$7.5 million as at 31 March 2011 principally for the construction contracts.

Prospects for new business

The Weldtech Group had launched the UPPC business and completed the first UPPC project in PRC during the year ended 31 March 2011.

Plans for material investments

The Weldtech Group has completed the construction of the first EMC projects in the PRC in the year ended 31 March 2011 and had three EMC projects under construction which were expected to be completed by March 2012.

Material acquisitions and disposals of subsidiaries and associated companies

The Weldtech Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 March 2011.

Significant investments held

Weldtech Group did not hold any significant investments as at 31 March 2011.

Staff and remuneration

The Weldtech Group had 58 employees at 31 March 2011 and total staff costs incurred during the year amounted to approximately HK$4.7 million. The Weldtech Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice.

Foreign currency risk management

The Weldtech Group was not exposed to material foreign currency risk as the main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi. The Weldtech Group did not use any derivative financial instruments to hedge its foreign exchange risk exposure during the year ended 31 March 2011.

Key factors affecting the results of operations

Performance of the UPPC system: The UPPC system is the key product of Weldtech Group and if the UPPC system becomes obsolete and replaced by other new technologies and products, it could materially affect the performance of the Weldtech Group. The Weldtech Group puts a strong focus in terms of research and development and continuous effort to upgrade its product in order to keep its competitive advantages. The management of the Weldtech Group considers that the UPPC system is effective in energy saving and is a highly competitive product in the chiller plant optimisation market. It contains certain unique features which gives it technological edge and competitive advantages. The UPPC system is more advanced than other energy saving systems in the PRC. Please refer to the section headed "Strengths, strategies and future plans" of the Letter from the Board for further details.

Amount of energy usage of customers and energy-saving performance of the UPPC system: For EMC projects, the amount of energy saving shared by the Weldtech Group will be directly affected by the amount of energy usage of customers and energy-saving performance of the UPPC system, i.e., given the average saving level of the UPPC is relatively fixed, the higher amount of energy usage by the customers, the higher amount of electricity will be saved by the UPPC system, and hence, more income for the Weldtech Group based on the mutually agreed sharing system. The financial performance and operating cash flows of the Weldtech Group depends on the performance of the UPPC system as it is the key product of the Weldtech Group. Based on the past record of the current projects, the performance of the UPPC system is considered consistent and there have been no major issues or technical problems with the UPPC system in the past.

Timing and ability of payments by customers: The financial performance and operating cash flows of Weldtech Group is affected by the ability of the Weldtech Group's customers to meet their energy saving payments on time or in full. Over the past years since its incorporation, the Weldtech Group did not have any significant issues with receipts from customers or recoverability of the accounts receivable.

Number of new projects and customers: The financial performance and operating cash flows of Weldtech Group will be affected by the number of projects and customers of the Weldtech Group. The Weldtech Group has a strong customer base with its existing customers consisting of international and national organisations across different sectors. In addition, many of the Weldtech Group's existing customers, such as those property developers, property managers and chain hotels have multiple project sites that are suitable to install the UPPC system. The Weldtech Group believes that it could generate repeat business from those existing customers. Major sales and marketing channels include personal network of sales engineers, personal network of senior management, referrals from strategic partners and shareholders, referrals from existing clients, repeat businesses from existing clients, participation in tender, and other public channels such as exhibition and industry associations. Based on its wide customer source network together with the competitive advantages of the UPPC system, the management of the Weldtech Group is confident that it could obtain a sufficient amount of customer to support its business growth on a continuous basis.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

(a) Income tax

The Weldtech Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Weldtech Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of property, plant and equipment

The Weldtech Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Weldtech Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to estimated impairment provision previously made.

In determining the useful life and residual value of an item of property, plant and equipment, the Weldtech Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Weldtech Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(c) Impairment of goodwill

The Weldtech Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management of the Weldtech Group on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(d) Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Weldtech Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with the Rules 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 31 December 2013 for the consolidated statement of financial position and 1 January 2013 for the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the audited consolidated financial information of the Group as at 31 December 2013 and audited consolidated financial information of the Weldtech Group as at 31 October 2013 as set out in Appendix II, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 31 December 2013 and to describe the actual financial results and cash flows of the Enlarged Group that would have been attained has the Acquisition been completed on 1 January 2013, nor purport to predict the Enlarged Group's future financial position or results of operations.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information on the Group historical financial information of the Weldtech Group as set out in Appendix II and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

(I) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming that the Acquisition has been completed on 31 December 2013. The information is based on the audited consolidated financial statements of the Group as at 31 December 2013 and the audited financial statements of the Weldtech Group as at 31 October 2013 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Audited Consolidated Statement of Financial Position of the Group as at 31 December 2013	Audited Consolidated Statement of Financial Position of the Weldtech Group as at 31 October 2013	Sub-total	Notes	Pro Forma Adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
Non-current assets						
Intangible assets	—	—	—	*1(b)*	823,172	823,172
Property, plant and equipment	1,141	1,270	2,411			2,411
Construction in progress	—	8,144	8,144			8,144
Mortgage loans	7,000	—	7,000			7,000
Loan receivables	60,487	—	60,487			60,487
Deposit paid for acquisition of a subsidiary	10,000	—	10,000			10,000
Available-for-sale investments	259	—	259			259
Finance lease receivables	—	20,247	20,247			20,247
Goodwill	—	111	111	*1(b)*	1,209,054	1,209,165
	78,887	29,772	108,659			2,140,885
Current assets						
Mortgage loans	21,346	—	21,346			21,346
Finance assets at fair value through profit or loss	92,920	—	92,920			92,920
Inventories	—	436	436			436
Loan receivables	188,016	—	188,016			188,016
Trade and bill receivables	—	1,461	1,461			1,461
Prepayments, deposits and other receivables	10,483	31,755	42,238			42,238
Finance lease receivables	—	13,806	13,806			13,806
Amount due from customer under construction contact	—	120	120			120
Pledged bank deposit	—	1,380	1,380			1,380
Tax recoverable	2,302	—	2,302			2,302
Cash and bank balances	3,979	14,023	18,002	*1(d)*	(33,100)	(15,098)
	319,046	62,981	382,027			348,927

	Audited Consolidated Statement of Financial Position of the Group as at 31 December 2013	Audited Consolidated Statement of Financial Position of the Weldtech Group as at 31 October 2013	Sub-total		Pro Forma Adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Current liabilities						
Trade and other payables	15,052	5,321	20,373			20,373
Bank and other borrowings	5,000	40,000	45,000			45,000
Receipt in advance	—	6,639	6,639			6,639
Amount due to a shareholder	—	—	—	*1(j)*	10,000	10,000
	20,052	51,960	72,012			82,012
Net current assets	298,994	11,021	310,015			266,915
Total assets less current liabilities	377,881	40,793	418,674			2,407,800
Non-current liabilities						
Non-convertible bonds	50,000	—	50,000			50,000
Convertible bonds	4,563	—	4,563			4,563
Contingent consideration payables	—	—	—	*1(f)*	139,844	139,844
Promissory notes	—	—	—	*1(e)*	236,935	236,935
Convertible notes	—	—	—	*1(g)*	401,265	401,265
Deferred taxation	—	—	—	*2*	265,579	265,579
	54,563	—	54,563			1,098,186
Net assets	323,318	40,793	364,111			1,309,614
Capital and reserves						
Share capital	54,059	2	54,061	*1(h)*	17,000	71,059
				3	(2)	
Reserves	269,259	40,791	310,050	*1(g)*	833,296	1,238,555
				4	(40,791)	
				1(h)	136,000	
	323,318	40,793	364,111			1,309,614

(II) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

The following is the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group, assuming that the Acquisition have been completed on 1 January 2013. The information is based on the audited consolidated financial statements of the Group for the year ended 31 December 2013 and the audited consolidated financial statements of the Weldtech Group for the period from 1 April 2012 to 31 December 2012 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Group for the year ended 31 December 2013	Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Weldtech Group for the period from 1 April 2012 to 31 December 2012	Sub-total		Pro Forma Adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Turnover	47,046	19,815	66,861			66,861
Cost of sales	(4,548)	(11,177)	(15,725)			(15,725)
Gross profit	42,498	8,638	51,136			51,136
Other revenue	—	2,305	2,305			2,305
Other income	72	—	72			72
Selling expenses	—	(10,185)	(10,185)			(10,185)
Operating expenses	(25,235)	—	(25,235)			(25,235)
Administrative expenses	—	(25,078)	(25,078)	*6*	(48,422)	(160,160)
				7	(86,660)	
Fair value changes on financial assets at fair value through profit or loss	14,147	—	14,147			14,147
Loss on disposal of financial assets at fair value through profit or loss	(426)	—	(426)			(426)
Impairment loss recognised in respect of loan receivables	(33,712)	—	(33,712)			(33,712)
Impairment loss recognised in respect of loan interest receivables	(88,729)	—	(88,729)			(88,729)
Gain on disposal of available-for-sale investments	3,240	—	3,240			3,240
Loss from operations	(88,145)	(24,320)	(112,465)			(247,547)
Finance costs	(718)	(1,480)	(2,198)	*5*	(95,349)	(97,547)
Loss before taxation	(88,863)	(25,800)	(114,663)			(345,094)
Taxation	(2,242)	—	(2,242)	*8*	17,373	15,131
Loss for the year/period	(91,105)	(25,800)	(116,905)			(329,963)

	Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Group for the year ended 31 December 2013	Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Weldtech Group for the period from 1 April 2012 to 31 December 2012	Sub-total	Notes	Pro Forma Adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Other comprehensive income/(loss) for the year/period:						
Items that may be reclassified subsequently to profit or loss:						
Reclassified adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale investments, net of tax effect	(1,761)	—	(1,761)			(1,761)
Exchange difference on translating of financial statements	—	529	529			529
Total comprehensive loss for the year/period, net of tax	(92,866)	(25,271)	(118,137)			(331,195)
Loss attributable to the owners of the Company	(91,105)	(25,800)	(116,905)			(329,963)
Total comprehensive loss attributable to the owners of the Company	(92,866)	(25,271)	(118,137)			(331,195)

(III) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

The following is the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, assuming that Acquisition have been completed on 1 January 2013. The information is based on the audited consolidated financial statements of the Group for the year ended 31 December 2013 and the audited financial statements of the Weldtech Group for the period from 1 April 2012 to 31 December 2012 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of cash flows of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Statement of Cash Flow of the Group for the year ended 31 December 2013	Audited Consolidated Statement of Cash Flow of the Weldtech Group for the period from 1 April 2012 to 31 December 2012	Sub-total		Pro Forma Adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Cash Flow of the Enlarged Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES						
Loss before taxation	(88,863)	(25,800)	(114,663)	*5*	(95,349)	(258,434)
				6	(48,422)	
Adjustment for:						
Interest income	—	(16)	(16)			(16)
Interest income on finance lease receivables	—	(1,233)	(1,233)			(1,233)
Interest expenses	5,266	1,480	6,746	*9*	95,349	102,095
Amortisation	—	—	—	*10*	48,422	48,422
Depreciation	100	221	321			321
Impairment loss recognised in respect of loan interest receivables	88,729	—	88,729			88,729
Reversal of impairment loss in respect of loan interest receivables	(70)	—	(70)			(70)
Loss on disposal of financial assets at fair value through profit or loss	426	—	426			426
Fair value changes on financial assets at fair value through profit or loss	(14,147)	—	(14,147)			(14,147)
Gain on disposal of available-for-sales investments	(3,240)	—	(3,240)			(3,240)
Impairment loss recognised in respect of loan receivables	33,712	—	33,712			33,712
Operating cash flows before movements in working capital	21,913	(25,348)	(3,435)			(3,435)

	Audited Consolidated Statement of Cash Flow of the Group for the year ended 31 December 2013	Audited Consolidated Statement of Cash Flow of the Weldtech Group for the period from 1 April 2012 to 31 December 2012	Sub-total		Pro Forma Adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Cash Flow of the Enlarged Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Decrease in trade and bill receivables	—	311	311			311
(Increase)/decrease in prepayments, deposits and other receivables	(26,994)	1,193	(25,801)			(25,801)
Decrease in mortgage loans	4,735	—	4,735			4,735
Decrease in loan receivables	39,277	—	39,277			39,277
Increase in finance assets at fair value through profit or loss	(65,218)	—	(65,218)			(65,218)
Decrease in inventories	—	2,101	2,101			2,101
Decrease in amounts due from directors	—	8,881	8,881			8,881
Increase in finance lease receivables	—	(12,218)	(12,218)			(12,218)
Decrease in trade and other payables	(3,236)	(851)	(4,087)			(4,087)
Decrease in receipt in advance	—	(10)	(10)			(10)
Decrease in amount due to a director	—	(2,373)	(2,373)			(2,373)
Decrease in amount due to a related company	—	(900)	(900)			(900)
Increase in amount due to a shareholder	—	2,027	2,027			2,027
Cash used in operations	(29,523)	(27,187)	(56,710)			(56,710)
Interest paid	(4,667)	—	(4,667)			(4,667)
Income tax paid	(3,293)	—	(3,293)			(3,293)
Net cash used in operating activities	(37,483)	(27,187)	(64,670)			(64,670)
INVESTING ACTIVITIES						
Interest received	—	1,249	1,249			1,249
Purchase of property, plant and equipment	(1,190)	(868)	(2,058)			(2,058)
Purchase of construction in progress	—	(493)	(493)			(493)
Proceeds from disposal of available-for-sale investments	4,029	—	4,029			4,029
Payment of acquisition of a subsidiary	—	—	—	*1(d)*	(33,100)	(33,100)
Deposit refund of deposit paid for acquisition of a subsidiary	(10,000)	—	(10,000)			(10,000)
Net cash used in investing activities	(7,161)	(112)	(7,273)			(40,373)

	Audited Consolidated Statement of Cash Flow of the Group for the year ended 31 December 2013	Audited Consolidated Statement of Cash Flow of the Weldtech Group for the period from 1 April 2012 to 31 December 2012	Sub-total		Pro Forma Adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Cash Flow of the Enlarged Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES						
Proceeds from allotment of shares	—	85,558	85,558			85,558
Proceeds from amount due to a shareholder	—	—	—	*11*	10,000	10,000
Interest paid	—	(1,480)	(1,480)			(1,480)
Proceeds from issuance of share upon exercise of share option	534	—	534			534
Proceeds from issue of non-convertible bonds	20,000	—	20,000			20,000
Proceeds from issue of convertible bonds	19,742	—	19,742			19,742
Repayment of bank and other borrowings	(2,700)	(31,153)	(33,853)			(33,853)
Proceeds from bank and other borrowings	2,700	3,698	6,398			6,398
Net cash generated from financing activities	40,276	56,623	96,899			106,899
Net (decrease)/increase in cash and cash equivalents	(4,368)	29,324	24,956			1,856
Cash and cash equivalents at the beginning of the year/period	8,347	13,970	22,317			22,317
Effect of foreign currency exchange rate changes	—	530	530			530
Cash and cash equivalents at the end of the year/period	3,979	43,824	47,803			24,703
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	3,979	43,824	47,803			24,703

Notes:

1. (a) The consideration for the Acquisition to be satisfied by Total Global Holdings Limited ("Purchaser") is HK$2,476,000,010. The consideration is to be satisfied by:

	HK$'000
Refundable deposit *(Note 1(j))*	10,000
Cash payable *(Note 1(d))*	33,100
Principal amount of the promissory notes (the "Promissory Notes") *(Note 1(e))*	1,034,400
Principal amount of convertible notes (the "Convertible Notes — Acquisition") *(Note 1(g))*	1,262,500
Allotment and issue of new shares (the "Consideration Shares") *(Note 1(h))*	136,000
	2,476,000

(b) Details of goodwill arising from the Acquisition are as below:

Assumed fair value of the consideration on 31 December 2013

	HK$'000
Refundable deposit *(Note 1(j))*	10,000
Cash payable *(Note 1(d))*	33,100
Contingent consideration payables *(Note 1(f))*	139,844
Promissory Notes *(Note 1(e))*	236,935
Convertible Notes — Acquisition *(Note 1(g))*	1,234,561
Consideration Shares *(Note 1(h))*	153,000
Total	1,807,440
Less: Fair value of net identifiable assets acquired *(Note 1(c))*	(40,793)
Less: Fair value of patent recognised in the Acquisition *(Note 1(i))*	(823,172)
Add: Deferred tax liabilities arising on issuance of Convertible Notes — Acquisition *(Note 2)*	142,103
Add: Deferred tax liabilities arising on recognition of patent *(Note 2)*	123,476
Goodwill	1,209,054

The Directors have reviewed the carrying value of goodwill of the Enlarged Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("HKAS 36"), taking into account the independent valuation report, carried out by Grant Sherman Appraisal Limited, an independent professional valuer. Based on the valuation report, the Directors are of the opinion that there are no indications that the values of the goodwill of the Enlarged Group may be impaired in respect of the patent right and goodwill with an assumed fair value of approximately HK$823,172,000 and HK$1,209,054,000 respectively, as shown in the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 December 2013.

In accordance with HKAS 36, the Directors will carry out impairment review of the goodwill of the Enlarged Group with reference to an independent valuation report, which will be prepared under the same principal assumptions and valuation method in the future financial statements. The principal assumptions applied by the Directors represents the assumptions of the projections disclosed in the Business Valuation Report as set out in Appendix V and in the paragraph headed "Future Prospect" in the "Letter from the Board" in this circular.

It is the responsibility solely of the Directors to ensure that the Company is adopting and will continue to adopt consistent accounting policies and ensure that the principal assumption of the valuation for assessment of the impairment of the Enlarged Group's intangible assets and goodwill are consistent for future annual audit of the Group.

The reporting accountants concurred with the Directors' assessment of impairment in the intangible assets and goodwill in the Unaudited Pro Forma Financial Information and adoption of consistent accounting policies and principal assumptions in the preparation of consolidated financial statements of the Group after the Completion of the Acquisition.

(c) The fair values of net assets of the Weldtech Group acquired in the Acquisition are as below:

	HK$'000
Net assets value of Weldtech Group	40,793

For the purpose of preparing the Unaudited Pro Forma Financial Information, the carrying value of the net assets of the Weldtech Group as per the accountants' report as set out in Appendix II is taken to be the fair value.

(d) The amount of approximately HK$33,100,000 will be payable by cash to Vendors at the completion date.

In preparation of the Unaudited Pro Forma Financial Information, the directors of the Company assumed that the amount of HK$33,100,000 would be funded by the Company's internal resources.

The cash payable will not have the continuing effect on the consolidated financial statements of the Group in subsequent year.

The balance of cash and cash equivalents of the Enlarged Group in the Unaudited Pro Forma Consolidated Statement of Financial Position is for illustration purpose only.

(e) The carrying amount of the Promissory Notes of approximately HK$236,935,000 represents the carrying value of the Promissory Notes, with principal amount of approximately HK$1,034,400,000, carried at its amortised cost and is calculated using the discounted cash flow method at an effective interest rate of 14.38%. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that 14.38% is the effective interest rate. The effective interest rate was determined by reference to a various factors, including the credit spread of the Company and specific risk premium being assessed by professional valuer.

(f) The amount of approximately HK$139,844,000 of the contingent consideration payables represented the fair value of the contingent consideration of Promissory Notes by using expected cash flow approach performed by Grant Sherman Appraisal Limited.

Under the expected cash flow approach, different scenarios of future cash flows for an entity are developed using different assumptions about future outcomes. Each scenario is probability weighted, and its cash flows discounted at the risk free rate. The expected value (or fair value) of the asset/liability being appraised is the sum of the probability weighted discounted cash flows of each scenario.

Based on the independent valuers' analysis, a risk neutral probability of 0.5 is considered as appropriate for deriving the expected cash flows arising from the Contingent Consideration in each scenario for the two financial years ending 31 December 2014 and 2015.

(g) These represent the liability and equity components of the Convertible Notes — Acquisition with principal amount of HK$1,262,500,010 issued for the Acquisition. The Convertible Notes — Acquisition is non-interest bearing for the first three years, followed by 3% interest per annum for the fourth to the remaining years. It shall mature at 31 December 2023.

The fair value assessment of the liability component and equity components of the Convertible Notes — Acquisition was performed by Grant Sherman Appraisal Limited, an independent qualified valuer not connected to the Group, using discounted cash flow method and binomial option pricing model respectively. As at 31 December 2013, the estimated fair values of the liability component and equity component of the Convertible Notes — Acquisition are approximately HK$401,265,000 and HK$833,296,000 respectively.

Fair values of the liability component and the equity component shall be assessed on the date of completion and are therefore subject to change upon completion of the Acquisition.

	Convertible Notes — Acquisition
	HK$'000
Face value of the financial instruments	1,262,500
Less: Carrying amount of the liability component as at 31 December 2013	(401,265)
Temporary difference	861,235
Deferred tax liabilities at a tax rate of 16.5%	142,103

(h) The adjustments represent the allotment and issuance of a total of 170,000,000 new shares of the Company of HK$0.1 each, at HK$0.8 per share., which was determined after arm's length negotiations between the Group and the Vendors, with reference to the prevailing trading price of the Consideration Shares during the period of negotiations in October 2013. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that the fair value of the Consideration Shares as at 31 December 2013 amounted to approximately HK$153,000,000, at HK$0.9 per share. The amount of HK$17,000,000 will be recognised in share capital, while the remaining balance of HK$136,000,000 will be recognised in reserves.

(i) The Weldtech Group has obtained 7 patents regarding the self-developed and owned "Ultra Performance Plant Control System" for its novelty and industrial applicability in the PRC. The carrying amount of the patents of approximately HK$823,172,000 represents the fair value of the patents and is calculated using the relief-from-royalty method at an effective interest rate of 15.0%. The fair value assessment was carried out by Grant Sherman Appraisal Limited, an independent professional valuer. Under the relief-from-royalty method, an asset is valued based upon the incremental after tax cash flow accruing to the owner by virtue of the fact that the owner does not have to pay a fair royalty to a third party for the use of that asset. Accordingly, a portion of the Weldtech Group's earnings, equal to the after-tax royalty that would have been paid for use of the patents can be attributed to the patents. The value of the patents depends on the present worth of future after-tax royalties derived from ownership. Indication of value is developed by discounting future after-tax royalties attributable to the patents to the present worth at market-derived rate of return appropriate for the risks of the patents. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that 15.0% is the effective interest rate. The effective interest rate was determined by the Capital Asset Pricing Model being carried out by Grant Sherman Appraisal Limited. Grant Sherman Appraisal Limited has considered that the most appropriate method for valuing the aforesaid patents is the relief from-royalty method. The carrying amount of the patents represents its fair value as at 31 December 2013.

Deferred tax arising from the recognition of the patents is as follows:

	Patents
	HK$'000
Fair value of the patents	823,172
Deferred tax liabilities at a tax rate of 15%	123,476

(j) A refundable deposit amounted to HK$10,000,000 was paid to CITIC International Assets Management Limited ("CIAM") in cash within 14 days upon the execution of the Sale and Purchase Agreement. CIAM has undertaken to on-lend the refundable deposit to Weldtech Technology as working capital in the form of unsecured and unguaranteed shareholder's loan at nil interest and repayable on demand at any time. In preparation of the Unaudited Pro forma Financial Information, it is assumed that the refundable deposit is paid upon the Completion.

2. The pro forma adjustment of approximately HK$265,579,000 represents the adjustment of the deferred tax liabilities as at 31 December 2013.

	Patents	**Convertible Notes — Acquisition**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities as at			
At 1 January 2013	—	—	—
Recognition of the patents *(Note 1(i))*	123,476	—	123,476
Issuance of Convertible Notes — Acquisition *(Note 1(g))*	—	142,103	142,103
Deferred tax effect	123,476	142,103	265,579

3. The pro forma adjustment of approximately HK$2,000 represents the elimination of the share capital of the Weldtech Group upon consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2013.

4. The pro forma adjustment of approximately HK$40,791,000, represents the net effect of elimination of reserves as if the Acquisition was completed on 31 December 2013.

Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves of the Weldtech Group	40,791

5. The pro forma adjustment of approximately HK$95,349,000 represents the annual finance cost of the imputed interest expenses recognised for the Promissory Notes and Convertible Notes — Acquisition in the consolidated statement of profit or loss and other comprehensive income of the Enlarged Group with the coupon rates of Nil and 3% respectively for the year ended 31 December 2013. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that 14.38% and 15.27% are the effective interest rate of Promissory Notes and Convertible Notes — Acquisition respectively. These interest expenses will have the continuing effect on the financial statements of the Enlarged Group in subsequent years. The imputed interest rates were determined by reference to a various factors, including the credit spread of the Company and specific risk premium being assessed by professional valuer.

   Details are set out as follows:

	HK$'000
Imputed interest on Promissory Notes	34,076
Imputed interest on Convertible Notes — Acquisition	61,273
	95,349

6. The pro forma adjustment of approximately HK$48,422,000, represents the annual amortisation charge recognised for the patents in the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group. As the valid period of the patents range from 10 to 17 years and the directors consider that it is impractical to separate the value of each patent, they consider that the longer valid period of "invention patent" are more representable. Therefore, for the purpose of preparing the Unaudited Pro Forma Financial Information, the estimated useful life of the patents will be adopted the invention patent useful life and assumed to be 17 years.

   Details are set out as follows:

	HK$'000
Amortisation on the patents	48,422

7. The pro forma adjustment represents the referral fee of approximately HK$86,660,000, which is equal to 3.5% of the consideration for the Acquisition. This unaudited pro forma adjustment will not have continuing effect to the consolidated statement of profit or loss and other comprehensive income.

8. The pro forma adjustment represents the deferred tax effect of approximately HK$17,373,000 of the Convertible Notes — Acquisition and the patents for the year ended 31 December 2013.

   The basis of the deferred tax effect of HK$17,373,000 is set out as follows:

	Patents *HK$'000*	**Convertible Notes — Acquisition** *HK$'000*	**Total** *HK$'000*
Deferred tax liabilities as at 1 January 2013 at tax rate of 15%/16.5%	123,476	142,104	265,580
Less: Deferred tax liabilities as at 31 December 2013, at tax rate 15%/16.5%	(116,213)	(131,994)	(248,207)
Deferred tax effect	7,263	10,110	17,373

	Patents	Convertible Notes — Acquisition	Total
	HK$'000	*HK$'000*	*HK$'000*
Net book value	823,172	—	823,172
Face amount	—	1,262,500	1,262,500
Less: Carrying amount as at 1 January 2013	—	(401,265)	(401,265)
Temporary difference as at 1 January 2013	823,172	861,235	1,684,407
Deferred tax liabilities as at 1 January 2013, at tax rate of 15%/16.5%	123,476	142,104	265,580

	Patents	Convertible Notes — Acquisition	Total
	HK$'000	*HK$'000*	*HK$'000*
Net book value	774,750	—	774,750
Face amount	—	1,262,500	1,262,500
Less: Carrying amount as at 31 December 2013	—	(462,538)	(462,538)
Temporary difference as at 31 December 2013	774,750	799,962	1,574,712
Deferred tax liabilities as at 31 December 2013, at tax rate of 15%/16.5%	116,213	131,994	248,207

The deferred tax income will have the continuing effect in subsequent years.

The deferred tax income was arising from the amortisation of patents and imputed interest on Convertible Notes — Acquisition recognised in the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income, it is assumed that the Acquisition has been completed on 1 January 2013.

9. The pro forma adjustments to the consolidated statement of cash flows represent the recognition of the finance cost of the Promissory Notes and Convertible Notes — Acquisition of approximately HK$95,349,000 if the Acquisition was completed on 1 January 2013.

10. The pro forma adjustments to the consolidated statement of cash flows represent the recognition of the amortisation charge of the patents of approximately HK$48,422,000 as if the Acquisition was completed on 1 January 2013. This unaudited pro forma adjustment will have continuing effect to the consolidated statement of cash flow of the Enlarged Group.

11. The pro forma adjustments to the consolidated statement of cash flows represent the recognition of shareholders' loan of approximately HK$10,000,000 as if the Acquisition was completed on 1 January 2013. This unaudited pro forma adjustment will not have continuing effect to the consolidated statement of cash flow of the Enlarged Group.

12. On 17 February 2014, the Company has issued convertible bonds with principal amount of approximately HK$43,200,000 (the "Convertible Bonds — 43.2m"). The Convertible Bonds — 43.2m is non-interest bearing and shall mature in 31 December 2016.

The estimated fair values of the liability component and equity component of the Convertible Bonds — 43.2 m were performed by Roma Appraisals Limited, a firm of independent qualified valuers not connected to the Group, their approach was discounting the estimated contractual cash flow over the remaining contractual term of the convertible bond at the interest rate that was appropriate to the riskiness of the convertible bond. As at 17 February 2014, the estimated fair value of liability component and equity component of the Convertible Bonds — 43.2m are approximately HK$32,485,000 and HK$10,715,000 respectively.

Fair values of liability component and the equity component shall be assessed on the date of issued.

	Convertible Bonds — 43.2m *HK$'000*
Fair value of the financial instruments	43,200
Less: Carrying amount of the liability component as at 17 February 2014 (date of issuance)	(32,485)
Temporary difference	10,715
Deferred tax liabilities at a tax rate of 16.5%	1,768

The effective interest rate is assumed at 10.45% and the amount of approximately HK$3,394,000 interest expenses will be charged for a year. The interest expenses will have continue effect on the financial statements of the Enlarged Group in subsequent years. The imputed interest rate was determined by reference to a various factors, including the credit spread of the Company and specific risk premium being assessed by professional valuer.

According to the terms and conditions of Convertible Bonds — 43.2M. Each bondholder shall have the right, exercise during the conversion period, to convert the whole or any part (in multiples of HK$1,350,000) of the outstanding principal amount of the Convertible Bond — 43.2M held by such bondholder into such number of conversion shares as will be determined by dividing the principal amount of the Convertible Bond — 43.2M to be converted by the conversion price in effect on the conversion date. As if the Convertible Bond — 43.2M are fully exercised immediately, the share capital, share premium, convertible bond payable and convertible bond reserve will be increased by HK$4,320,000, HK$38,880,000, decrease to nil and nil respectively.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of incorporation in this circular and received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

11 April 2014

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

The Board of Directors
The Hong Kong Building and Loan Agency Limited
Unit F, 7/F
China Overseas Building
No. 139 Hennessy Road
Wanchai
Hong Kong

We have completed our assurance engagement to report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of The Hong Kong Building and Loan Agency Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2013, unaudited pro forma consolidated statement of profit or loss and other comprehensive income, unaudited pro forma statement of cash flows for the year ended 31 December 2012 and related notes as set out in section A of Appendix IV of the circular issued by the Company dated 11 April 2014 (the "Circular"). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in 193 of Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed Acquisition on the Group's financial position as at 31 December 2013 and the Group's financial performance and cash flows for the year ended 31 December 2013 as if the transaction had taken place at 31 December 2013 and 1 January 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Company's published annual report for the year ended 31 December 2013 and results announcement for the year ended 31 December 2013. Information about the Weldtech Group's financial position, financial performance and cash flows has been extracted by the Directors from the Weldtech Group's financial statements for the period ended from 1 April 2012 to 31 December 2012 and for the ten months ended 31 October 2013 (on which an accountant's report has been published).

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the respective dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKASE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant transaction on unadjusted financial information of the Group as if the proposed acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2013 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

OPINION

In our opinion:

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

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(7) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

The following is the text of a valuation report, prepared for the purpose of inclusion in this circular received from Grant Sherman Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2013 of the fair market value of a 100% equity interest in Weldtech Technology.

GRANT SHERMAN

Unit 1005, 10/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

11 April 2014

Total Global Holdings Limited
c/o The Hong Kong Building and Loan Agency Limited
Unit F, 7/F China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

Dear Sirs,

In accordance with your instructions, we have made an appraisal of the fair market value of a 100% equity interest in the business enterprise of Weldtech Technology Co. Limited ("**Weldtech Technology**"), an investment holding company holding the entire equity interest in 濠信節能科技(上海)有限公司 ("**Haoxin**"). (Weldtech Technology and Haoxin are collectively referred to as the "**Weldtech Group**"). 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 plant control system (the "**UPPC System**") and other components in the People's Republic of China (the "**PRC**").

This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

Business enterprise value is defined for this appraisal as the total invested capital, excluding debts but including shareholders' loans, and is equivalent to shareholders' equity plus shareholders' loans. The fair market value of the equity interest in the business enterprise of Weldtech Technology is derived based on the expected future economic benefit to which the owner(s) of Weldtech Technology will be effectively entitled to after accounting for effect of discount for lack of marketability.

The purpose of this appraisal is to express an independent opinion of the fair market value of a 100% equity interest in Weldtech Technology as at 31 December 2013 (the "**Appraisal Date**"). It is our understanding that this appraisal will be used by The Hong Kong Building and Loan Agency Limited (the "**Company**") for acquisition purposes and our report might be used in connection with a public document.

INTRODUCTION

Background Information

On 31 October 2013, Total Global Holdings Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and the Company entered into a sale and purchase agreement (the "**Agreement**") with the Vendors (as defined below), 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, subject to adjustment (the "**Acquisition**"). Upon completion of the Acquisition, the Weldtech Group will be wholly owned by the Company and its results, assets and liabilities will be consolidated into the financial statements of the Company. The Weldtech Group will then serve as a platform for the enlarged group of the Company to enter into the energy saving industry and become a flagship of carbon reduction across the PRC.

The Company

The Company is a limited company incorporated in Hong Kong and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 145). The Company and its subsidiaries (the "**Group**") are principally engaged in investment holding, treasury investments and provision of loan financing.

The Weldtech Group

Weldtech Technology

Weldtech Technology, a company incorporated in Hong Kong with limited liability on 15 September 2004, is the investment holding company of the entire equity interest in Haoxin.

Haoxin

Haoxin, formerly known as 日滔貿易(上海)有限公司, was a company incorporated in the PRC with limited liability on 17 December 2007 with a 20-year operating term. 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 plant control system, the UPPC System, and other components in the PRC. The Weldtech Group provides the UPPC System to its customers in revenue models of (i) buyout sales; and (ii) "energy management contracts", commonly known as "EMC" ("**EMC**") in the energy saving industry by sharing of energy savings with the client.

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" ("**ESCO**").

As at the Appraisal Date, Haoxin has obtained seven patents for novelty and industrial applicability of the UPPC System in the PRC. Haoxin is currently actively developing new technology based on the UPPC System so as to broaden the scope of building energy saving solution, such as the heating ventilation and air-conditioning ("**HVAC**") airside control optimisation, building automation system, real-time system fault detection and more advanced optimisation algorithm.

The Weldtech Group has entered into a strategic partnership agreement with each of its four strategic shareholders via their corresponding associated companies (the "**Strategic Partnership Agreements**"). These four shareholders are organizations which are either influential in energy saving business and development in the PRC, or who has close connections with major business entities in the PRC. Under the Strategic Partnership Agreements, these shareholders have agreed to provide management and consultancy services to the Weldtech Group with an aim to increase the number of sales orders.

The Vendors

As at the date of the Agreement, Weldtech Technology is owned by eight entities including (i) CITIC International Assets Management Limited as to approximately 43.21%, (ii) Ample Richness Investments Limited as to approximately 17.11%, (iii) Smart Promise Limited as to approximately 13.34%, (iv) Infinite Soar Limited as to approximately 7.60%, (v) Cross Cone Holdings Limited as to approximately 5.92%, (vi) Newmargin Partners Ltd. as to approximately 5.80%, (vii) Carbon Reserve Investments Limited as to approximately 4.12% and (viii) Season Best Investments Limited as to approximately 2.90% (the "**Vendors**").

The UPPC System

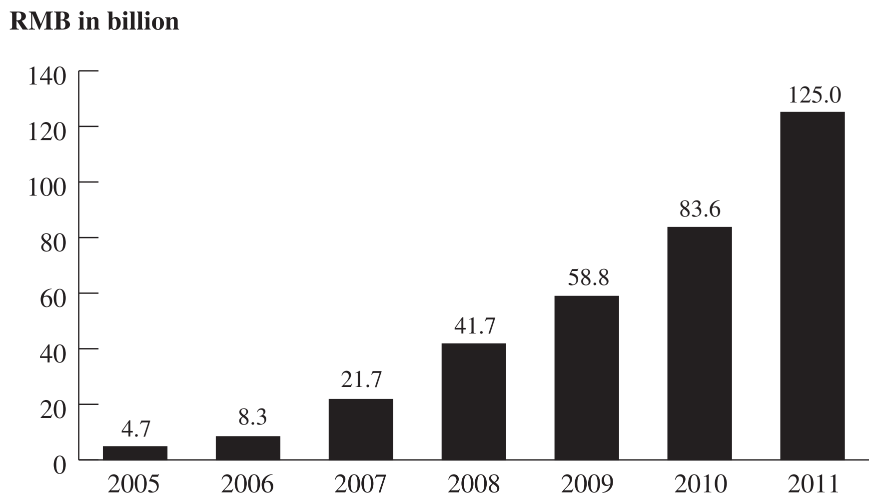
The UPPC System, or the ultra performance plant controller system, is a software-based energy saving solution through real-time co-ordination of each component in the air-conditioning system, including chiller plants, to optimise the output level of such components to reduce energy consumption. It combines both software and hardware and the software of the UPPC System performs the role of the "brain" which controls, through the hardware, the components of the air-conditional system. The hardware collects and transmits operating data to the software for processing and executes control commands issued by the software. The UPPC System incorporates automatic workload optimization on a real-time basis whilst most of the other technologies update the specific commands on individual components on a pre-determined time interval. Such mechanism allows enhanced effectiveness as compared to other energy saving systems.

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.

INDUSTRY OVERVIEW

Energy saving is an emerging industry in the PRC and the local demand for energy-saving solutions is tremendous. For the first time, the aggregate output value of ESCOs exceeded RMB100 billion, reaching RMB125.0 billion with a year-on-year ("**yoy**") growth of 49.5% in 2011 as shown in Chart 1, according to a recent research report, 中國節能服務(ESCO)市場研究 (the "**ESCO Market Report**"), which was jointly published by 中國節能協會節能服務產業委員會 ("**EMCA**") and the International Finance Corporation (國際金融公司).

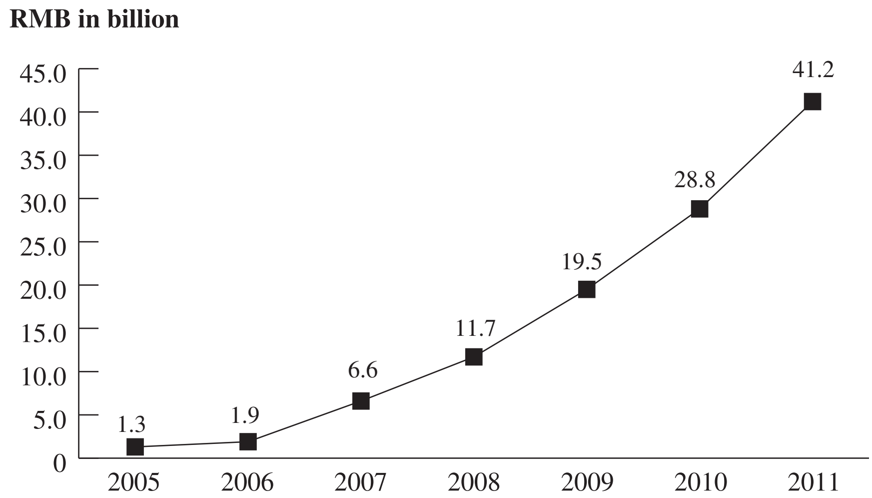
Chart 1: Total Output Value of ESCOs, 2005-2011



Source: EMCA, ESCO Market Report

The industry has been expanding rapidly over the past few years and the high growth momentum is expected to sustain in future. Up to November 2012, there are over 2,300 companies providing various types of energy saving solutions in the PRC and nearly half of them were established between 2010 and 2011, according to the ESCO Market Report. Their total registered capital amounts to over RMB35 billion. Nevertheless, the growth of many ESCOs was constricted by availability of funds in the past. The situation has been improving since 2011 and 2012 when more debt financing became available from financial institutions. Dramatic growth in the number of ESCOs leads to a remarkable growth in the industry's output value. As shown in Chart 2, total investment value of energy performance contracting ("**EPC**"), or known as EMC, increased from RMB28.8 billion to RMB41.2 billion, soared by 43.5% while the energy saving capacity of the projects implemented resulted in saving of 16.5 million tonnes of standard coal in 2011. The statistic shows that both demand for and supply of energy-saving solutions are strong in the PRC.

Chart 2: Total Investment Value of EPC, 2005–2011



Source: EMCA, ESCO Market Report

Supportive government policies and increasing energy-saving awareness and sustainable development motivation are major positive drivers for energy-saving market development in the PRC. As such, a wide range of businesses are beginning to deploy energy-saving solutions to address a broad spectrum of environmental issues.

Favourable national policies and programs

Since the last decade, energy conservation has become one of the key agenda in the PRC government's Five-Year Plan for sustainable socio-economic development. One of the motives behind is attributable to its pledge of improving energy efficiency and reducing greenhouse gas emission. The PRC government has committed to meet a 16% reduction per unit of Gross Domestic Product ("**GDP**") in energy use and a 17% reduction per unit of GDP in carbon dioxide emissions by 2015.

In "The 12th Five-Year Plan", energy saving is listed as one of the seven strategic emerging industries in the PRC. The national government has been promoting use of energy management and green building through energy policies and regulations. The PRC government had allocated a total of RMB250 billion from its central government budget for energy conservation and emission reduction during "The 12th Five-Year Plan" period and would continue its effort to push forward the industrialization of energy saving technologies. Some policies outline specific energy saving targets for energy saving industry:

— The 12th Five-Year Building Energy Saving Special Plan issued by the Ministry of Housing and Urban Development, PRC ("**MOHURD**") 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 2015. Some local governments also implemented some policies to support building energy conservation.

— the Public Facilities Energy Efficiency Improvement Plan issued by the Ministry of Finance, PRC ("**MOF**") and the MOHURD in May 2011, which targets to reduce energy consumption of selected public facilities by 10% and large public facilities by 15% by 2015.

On the other hand, the PRC government provides financial subsidies and tax exemption to ESCOs and for green buildings to accelerate development of EMC and energy-saving service industries and improving social energy saving awareness. 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 ("**NDRC**"), several HVAC energy saving technologies, 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. The Public Facilities Energy Efficiency Improvement Plan also sets subsidies for green buildings.

Increasing energy-saving awareness

The PRC has been ranked as the top for not only its rapid economic growth, but also its energy consumption over the last few years. Electricity consumption in the PRC grew by 4.8% yoy to 4,937.7 terawatt-hours in 2012, according to the BP Statistical Review of World Energy June 2013. Since the PRC mainly relies on coal for power and the combustion of coal, however, adds a significant amount of carbon dioxide ("**CO_2**") to the atmosphere per unit of heat energy, more than does the combustion of other fossil fuels. Growing energy consumption forces the PRC government to put more effort in improving energy efficiency and utilizing renewable energy in order to meet its energy commitment. Moreover, increasing energy cost and consumption as well as growing concern on sustainable development issues provide companies with more incentives to procure energy saving services for cost reduction.

Despite these top-down efforts, concerns remain for the PRC's rapid development which threatens efforts to reduce energy intensity and challenges energy efficiency. The PRC has surpassed the U.S. to become the largest emitter of CO_2 globally since 2007, and together, the two nations emitted about 42.2% of the world total in 2011 (with shares of 25.4% and 16.9% respectively). Its greenhouse gas emissions are growing rapidly, even with policies adopted. Viewing globally, the PRC ranks higher than the U.S., Japan, Germany, and India in terms of CO_2 per GDP, which means the PRC market embraces tremendous opportunities and development prospects for energy saving solutions.

Factoring the PRC population's urbanization process of migrating from rural areas to metropolises, increased GDP per capita and increasing energy consumption for economic development, the growth potential of the PRC market is evident and is expected to maintain a sustainable rise in future.

Market demand for chiller plant optimisation

According to a market research performed by Frost & Sullivan in 2011 (the "**F&S Research**"), the total market demand for chiller plant optimisation in 2009 amounted to nearly RMB318.0 billion, which was expected to sustain a growth rate of around 14.8% from 2009 to 2021. It also reported that, in the PRC, energy consumed by buildings accounted for nearly

27.0% of total energy consumption in 2009, and more than 80% of constructed buildings had not been optimised in chiller plant equipments, which could be classified as highly power-consuming. The F&S Research was initiated and commissioned by the Company. Frost & Sullivan which is a third party independent of the Company is a global market research company.

In conclusion, the energy saving industry and the ESCO market are undergoing a high-growth stage. In view of the current small operation scale of the Weldtech Group, there is plenty of room to grow in such a large potential market.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business enterprise of Weldtech Technology on the basis of fair market value. Fair market value is defined as the estimated amount at which the business enterprise might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns. Business enterprise value is defined for this appraisal as shareholders' equity plus shareholders' loans.

Our investigation included discussions with the management of Weldtech Technology (the "**Management**") in relation to the history and nature of the business, operations and prospects of the Weldtech Group, a review of the historical financial information and the financial projections (the "**Projections**"), its underlying assumptions (the "**Projection Assumptions**"), as well as other records and documents, provided to us by the Management. We have assumed that the data, information, opinions and representation provided to us by the Management in the course of the valuation are true and accurate.

The Weldtech Group intends to operate in a niche market of chiller plant optimization which is in early development stage, where significant uncertainties, such as availability of substitutes, degree of competition, technology advances and duration of favourable government policies, remain in the business environment. When reviewing the Projections, we have considered some principal factors that include, but are not limited to, the following:

— Nature of the business and the history of the Weldtech Group from its inception;

— Economic outlook in general and the condition and outlook of the specific industry in particular;

— The specific economic and competitive elements affecting the Weldtech Group's business, its industry and its markets;

— Business risks of the Weldtech Group and inherent uncertainties involved in its operation;

— Financial risks of the Weldtech Group;

— Potential of the markets served;

— Management's policies and strategies for the future;

— Name and reputation of the Weldtech Group, including the Management;

— Past operating results of the Weldtech Group;

— Extent, condition, utility and capacity of the facilities and equipment utilized by the business;

— Existence of assets of an intangible nature;

— Investment market's attitude toward securities with similar characteristics, as measured by market performance, and alternative investment opportunities available to an investor;

— Appropriate rates of return as indicated by alternative investment opportunities of comparable magnitude, character and risk; and

— The Projections and the projection period which starts from the Appraisal Date till 31 December 2023 (the "**Projection Period**").

A number of assumptions have to be established in order to sufficiently support our concluded value of the business enterprise. During the course of our appraisal, we conducted the following work to evaluate the Weldtech Group's past performance and assess its ability and capacity to generate future investment returns:

(i) a review on the F&S Research and the ESCO Market Report. The former report supports and suggests the expected market demand for chiller plant optimization in the PRC will be highly driven by supportive central and local government policies and increasing energy-saving motivations. The latter report describes the development of the energy saving industry and the ESCO market in the PRC. They provide us with relevant information on the market growth, competition, opportunities and challenges existing in the Weldtech Group's business environment which supports the growth assumptions adopted in the Projections are feasible;

(ii) a comparison of current market data, including but not limited to electricity price, inflation rate, economic growth rate, national energy consumption rate in the PRC, with the Projection Assumptions to ensure that they reflect market conditions and are feasible;

(iii) an examination of relevant internal reports and analysis, such as business development plans, sales proposals, revenue and costing analysis, sales contracts, patent certificates of the UPPC System and a technical review with respect to the UPPC System which was prepared by Berkeley Building Research and Technologies, Inc., an independent and impartial research and consulting company specialising in building energy simulation, in 2010 to verify the Projection Assumptions, such as annual energy saving rates, duration of project contractual terms, energy sharing ratios with customers, ratio among varying sizes of EMC projects and buyout sales, split of new projects between EMC business and buyout business, are made in light of supported grounds, and

(iv) assessment of the Management's representation on their intention and action plans for a) securing external financing, such as arranging factoring on the operating EMC, additional banking facilities with banks and loans from the Weldtech Group's shareholders in light of their background and financial resources, to support its future growth; b) focusing more on mid to large size projects (such as hotels and shopping malls) for better utilization of resources which was considered as made under normal commercial considerations; c) obtaining business support from the Weldtech Group's strategic shareholders; and d) investing in research and development to maintain the competitive edge of the UPPC System by benchmarking against the above mentioned.

Given the above independent work performed, and further considerations about, among others: (i) the background, experience and knowledge to operate the business, of the Management, whom we believe have exercised due and careful consideration in preparing the Projections; (ii) the price differential on electricity prices, material costs and operating expenses in different regions of the PRC; (iii) the large and increasing market demand that the Weldtech Group can capture; (iv) the extensive business network of the Weldtech Group's strategic shareholders as well as more business referral opportunities derived from the Strategic Partnership Agreements, both of which can widen the Weldtech Group's customer source network to achieve its growth targets; and (v) the potential recurring businesses from existing customers and business partners which can boost its sales with minimal additional efforts, we consider that the Projection Assumptions are fair and reasonable. The major Projection Assumptions include:

— There will be no major changes in the existing political, legal, fiscal and economic conditions in the country in which the Weldtech Group carries on its business;

— The Projections have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the Management;

— The availability of finance for working capital requirement will not be a constraint for the project rollout and future expansion of the Weldtech Group's operations in accordance with the Projections. The Weldtech Group will finance its operations and future expansion with internally generated resources, bank borrowings, factoring and funding from shareholders;

— The compound average growth rate in the number of new projects per year during the Projection Period is approximately 24%;

— The Weldtech Group will focus more on mid to large size projects for both EMC and buyout sales businesses;

— The split of the number of new projects each year between the two income sources over the Projection Period is determined by the Management with respect to their best knowledge of the market conditions and their working capital capacity and is allocated in the following manner:

Year ended 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EMC	90%	85%	85%	85%	80%	80%	75%	75%	70%	70%
Buyout Sales	10%	15%	15%	15%	20%	20%	25%	25%	30%	30%

— The average contract term of EMC projects is 6 years while the ratio of energy savings sharing is 85% in the first 3 years and 60% in the remaining 3 years in light of the existing contractual arrangements. Both the contract terms and the energy savings sharing ratios will remain constant over the Projection Period;

— Electricity charge rates in different regions and cities in the PRC will not differ materially from the average rate adopted in the Projections;

— The average electricity charges will increase by 3%, on average, annually in the PRC from 1 January 2016 onwards after considering the historical electricity price trend, relevant central government policies regulating the electricity generation sector, and the expected future inflation rate in the PRC;

— Selling price of buyout sales will increase by 3%, on average, annually;

— Energy saving efficiency for each type of projects remains constant throughout the Projection Period;

— Costs of direct materials and operating expenses to be incurred will not deviate significantly from the Projections in different parts of the PRC;

— The free cash flows after the Projection Period will grow at a constant rate of 3% forever[1];

Note 1: The 3% terminal growth rate is an approximation that reflects the ongoing growth potential of the Weldtech Group's cash flows. It is determined based on the following considerations:

(1) increasing future electricity consumption in the PRC (due to economic growth and technology advances)

(2) increasing future electricity prices in the PRC

(3) long-term growth rate of the Weldtech Group, the energy saving industry and inflation rate in PRC

We are of the view that the first two factors will increase the profitability and lead to higher cash flows of the Weldtech Group as well as the energy saving sector. For the last factor, the Weldtech Group's growth rate will fluctuate with economic and industry cycles with the terminal growth rate representing an average growth rate. Thus, it is generally assumed that the long-term industry/sector growth rate will lie between the GDP growth rate and the long-term inflation rate.

— Industry trends and market conditions for energy-saving industry in the PRC will not deviate significantly from economic forecasts (such as rising future electricity consumption and the long term growth rate of the energy saving industry in the PRC);

— There will be no major changes in the current taxation laws in Hong Kong and the PRC, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

— Exchange rates, inflation rates and interest rates will not differ materially from those presently prevailing;

— Given its established manufacturing and distribution capabilities, the Weldtech Group will successfully maintain its competitiveness and market share through expanding its customer base despite the increasingly intense competition from the domestic and oversea service providers of various types of energy saving products and solutions;

— With its in-house research and development capacity, the Weldtech Group can keep abreast of the latest developments of the industry through its continuous effort in product enhancement and new product development in response to changes in market demand and government regulations, such that the competitiveness and profitability of the Weldtech Group can be sustained;

— The Weldtech Group will utilize and maintain its current operational, administrative and technical facilities, such as its quality management in supply chain, investment and efforts in research and development, strong customer base and wide customer source network, to expand and increase its sales;

— The Weldtech Group will retain and have competent management, key personnel, and technical staff for their expertise and technical skillsets required to support its ongoing operations, as its future success depends substantially on the continuing efforts of its key personnel;

— Any management changes or changes in ownership of the Weldtech Group in the future will not have adverse effects on the long term profitability of the Weldtech Group's operations;

— The labor market conditions will not differ materially from those presently prevailing;

— All approvals, licenses and contractual agreements with respect to the Weldtech Group and its operations are legal, valid and will be enforceable in accordance with the legal terms; and that the Weldtech Group will have the legal rights to launch its products and services in the PRC, and to receive the revenues generated from its operations as contemplated under the Projections;

— The Weldtech Group will successfully negotiate and enter into long-term legally binding contractual agreements with its customers, such as owners of commercial and industrial buildings and other strategic partners, to secure the future revenue of the Weldtech Group;

— The intellectual property of the Weldtech Group's products and services will not be infringed upon in a manner which would materially affect the economic benefits attributable to the Weldtech Group;

— The technology, including the advanced or new generation UPPC system, to be utilized by the Weldtech Group in implementing its business model will be viable and successfully deployed; and

— The exchange rate adopted for our valuation which is approximately RMB1 = HK$1.2805 is assumed to be the closing price as at the Appraisal Date.

Any variation to the Projection Assumptions, especially those considered as key value drivers such as the rates of change in the number of new projects per year, average electricity charges, selling price of buyout sales, and the terminal growth, could seriously affect the fair market value of the appraised business enterprise. Hence, sensitivity analyses have been performed on the above mentioned parameters and are set out on pages 226 to 228 of the Circular.

VALUATION METHODOLOGY

Selection of Valuation Approach and Method

To develop our opinion of value for Weldtech Technology, we considered the three generally accepted approaches to value: the Cost Approach, the Market Approach and the Income Approach. We consider that Cost Approach is not applicable to this appraisal as it cannot reflect the fair market value of Weldtech Technology which is driven by the future revenue generated in the PRC. For the Market Approach, we consider that it is not reliable and accurate enough to draw a conclusion of the fair market value of Weldtech Technology without historical earnings record. Our analysis of key value drivers, business scale, model, strategies and objectives of the Weldtech Group as well as the future prospects of energy saving industry in the PRC shows that the real business perspective and expected synergies to be generated from its strategic investors have not yet been effectively and efficiently deployed by the Weldtech Group currently. Based on the Projections and relevant supporting documents, such as the projects in the pipeline and the Strategic Partnership Agreements provided by the Management, we concluded that the most appropriate method for valuing a company with high-growth prospect and is likely to have material changes in future cash flows resulting from its operations, such as Weldtech Technology, is the Income Approach, such that the real business enterprise value can be estimated based on forecasts of fundamental conditions in the future rather than on current data.

The fair market value of Weldtech Technology is developed through the application of the income approach technique known as the discounted cash flow method. In this method, value depends on the present worth of future economic benefits to be derived from ownership of shareholders' equity and shareholders' loans. Thus, indication of value is developed by discounting future free cash flows available for distribution to shareholders and for servicing shareholders' loans to their present worth at market-derived rates of return appropriate for the risks and hazards of the subject business.

The income approach explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as cost savings, periodic income, or sale proceeds. We have applied the discounted cash flow method in appraising the economic benefits of Weldtech Technology. In practice, the discounted cash flow approach consists of estimating future annual cash flows and individually discounting them to present value.

Discount Rate Development

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. When developing the discount rate to apply to the future economic income streams attributable to shareholders, the discount rate is the cost of equity. The cost of equity is developed through the application of the Capital Asset Pricing Model ("**CAPM**") with reference to the required rates of return demanded by investors for similar projects. A major requirement in generating the cost of equity is to identify companies that are comparable to the subject company in terms of business nature and associated risks. We have selected the same group of comparable companies, which have been used in generating the discount rate as mentioned above. All comparable companies are engaged in the similar business of Weldtech Technology.

Selection of Comparable Companies

The comparable companies are selected based on the following relevant factors: (1) products, (2) markets, (3) earnings and growth, (4) capital structure, (5) nature of competition and (6) the characteristics of driving underlying investment risk and expected rate of return. As a result, we have selected eight comparable companies (the "**Comparable Companies**") (as listed below) which we consider they have similar products, location of operations and business model as the Weldtech Group. They are engaged in energy saving business by providing energy management solutions and related products. By geographic location, seven of them have their principal business based in the PRC and the remaining one in the U.S.. In addition, five of them have adopted the EMC business model in the PRC in recent years. Furthermore, some of them were loss-making, similar to the Weldtech Group, in their latest reporting period as of the Appraisal Date. The list of selected companies is considered as exhaustive to include all those companies which we consider as appropriate and relevant based on our selection criteria as comparable companies to the Weldtech Technology. The particulars of the Comparable Companies are summarized in the appendix of this report set forth on pages 230 to 231 of the Circular.

Comparable Companies		Stock Code/ Country of Listing	Leveraged Beta as at the Appraisal Date*
1.	Guangzhou Zhiguang Electric Co., Ltd.	002169, PRC	1.16
2.	Tellhow Sci-tech Co., Ltd.	600590, PRC	1.25
3.	Tsinghua Tongfang Co., Ltd.	600100, PRC	1.10
4.	Shanghai Yanhua Smartech Co., Ltd.	002178, PRC	1.11
5.	Pan Asia Environmental Protection Group Limited	556, Hong Kong	0.70
6.	Wasion Group Holdings Limited	3393, Hong Kong	1.01
7.	Technovator International Limited	1206, Hong Kong	0.59
8.	EnerNOC, Inc.	ENOC, the U.S.	1.31

* *Data extracted from Bloomberg*

CAPM

The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. Under the CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risk assumed with adjustment for increments for risk differentials of Weldtech Technology being valued versus those of the Comparable Companies, which include risk adjustments for size (the "**Small Capitalization Risk Premium**") and other risk factors in relation to the comparable companies.

In developing the discount rate for this valuation, we have adopted the 10-year long-term government bond rates in the PRC as at the Appraisal Date (i.e. 4.6%), in view of the location of the Weldtech Group's principal operations, as the risk-free return, and the average equity risk premium of the Comparable Companies (i.e. 7.9%) as that of Weldtech Technology, then added a Small Capitalization Risk Premium (i.e. 3.3%), in relation to the size differentials of the Weldtech Group as compared with the Comparable Companies, to arrive at a discount rate of 15.8%. We conclude such discount rate is fair and reasonable to reflect the investment risk and expected rate of return for the Weldtech Group which has short operating history and lacks of track record of profitability in the past.

Small Capitalization Risk Premium

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. This premium reflects the fact that cost of capital increases with decreasing size of a company.

A number of studies were conducted in the U.S., which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from the CAPM model. For the case of Weldtech Technology, with reference to the 2013 Ibbotson SBBI Valuation Yearbook, 3.3% is considered as an appropriate small capitalization risk premium in our valuation model.

Terminal Value

Terminal/perpetuity growth rate assumes that free cash flow will continue to grow at a constant rate into perpetuity. The greater the growth potential in a business, the higher the proportion of the value that comes from the terminal value will be. The formula to calculate the terminal value is:

$$\textit{Terminal Value} = FCFE_{\textit{Terminal}} \text{ x } (1 + g)/(r - g)/(1 + r)\hat{}\ ^{t}$$

Whereas: *$FCFE_{Terminal}$ — Free Cash Flow to Equity at terminal year of the Projection Period*
g — terminal growth rate
r — cost of equity
t — time between the Appraisal Date and terminal year

It is common for the terminal value accounts for a large proportion of the overall value of a young company than a mature firm. Assumptions on when a young company will reach stable growth and its characteristics in stable growth are critical in estimating terminal value. In this valuation, approximately 70% of the appraised value is attributable to the terminal value, which is considered as reasonable for a young and high-growth company like Weldtech Technology which has significant competitive advantages in technology in a fast growing industry and strong backing from its shareholders. During its high-growth period, given the cash flows distribution pattern of the EMC business (i.e. with negative cash flow in the first year following with stable positive cash flows during the contract life of the EMC), the Weldtech Group's current stage of development and its expected future pace of growth, the Weldtech Group undergoes unstable cash flows with heavy investment in working capital in early years whereas substantial and sustainable positive cash flows in later years, become a stable growth company with its cash flows becoming stable in the long-run. As a result, its terminal value contributes a higher portion of its overall value.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the U.S. in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted ("**letter**") stock studies.
- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

The statistics published in the Mergerstat® Review 2013 showed that the median price-to-earnings multiples offered for private acquisitions were smaller than those for public transactions over the last 10 years (from Year 2003 to 2012) and this difference suggested a discount for lack of marketability for privately controlled ownership interests was in a range of -1.7% to 55.5% with an average of 22.6% and a median of 14.6%. Apart from this, we have considered other factors such as key value drivers, stage of development, business scale and scope in determining a reasonable discount for lack of marketability for the equity interest of Weldtech Technology. Based on our analysis, a lack of marketability discount of 20% is applied and considered to be reasonable for a private company like Weldtech Technology.

SENSITIVITY ANALYSES

The following tables set out the sensitivity of the fair market value of the 100% equity interest in Weldtech Technology to changes in (i) the number of new projects for each year of the Projection Period, (ii) the annual price growth rate in the average electricity charges, (iii) the annual price growth rate in buyout sales, (iv) the terminal growth rate, (v) the discount rate and (vi) the lack of marketability discount rate, assuming all other Projection Assumptions remain the same except where consequential amendments are required.

Scenario A: Sensitivity of fair market value to changes in the number of new projects for each different year of the Projection Period

Constant Percentage Change in the Number of New Projects for each year of the Projection Period	Indicated Fair Market Value of 100% Equity Interest in Weldtech Technology (After Marketability Discount)
–50%	HK$1,400,000,000
–40%	HK$1,700,000,000
–30%	HK$2,100,000,000
–20%	HK$2,500,000,000
–10%	HK$2,800,000,000
0% (Base case)	**HK$3,200,000,000**
+10%	HK$3,500,000,000
+20%	HK$3,900,000,000
+30%	HK$4,300,000,000

Scenario B: Sensitivity of fair market value to changes in the annual growth rate of 3% on the average electricity charges from 1 January 2016 onwards

Annual Growth Rate	Indicated Fair Market Value of 100% Equity Interest in Weldtech Technology (After Marketability Discount)
1%	HK$2,600,000,000
2%	HK$2,900,000,000
3% (Base case)	**HK$3,200,000,000**
4%	HK$3,500,000,000
5%	HK$3,800,000,000

Scenario C: Sensitivity of fair market value to changes in the annual growth rate of 3% on the selling price of buyout sales

Annual Growth Rate	Indicated Fair Market Value of 100% Equity Interest in Weldtech Technology (After Marketability Discount)
1%	HK$3,000,000,000
2%	HK$3,100,000,000
3% (Base case)	**HK$3,200,000,000**
4%	HK$3,300,000,000
5%	HK$3,400,000,000

Scenario D: Sensitivity of fair market value to changes in the terminal growth rate

Terminal Growth Rate	Indicated Fair Market Value of 100% Equity Interest in Weldtech Technology (After Marketability Discount)
0%	HK$2,700,000,000
1%	HK$2,900,000,000
2%	HK$3,000,000,000
3% (Base case)	**HK$3,200,000,000**
4%	HK$3,400,000,000
5%	HK$3,700,000,000
6%	HK$4,000,000,000
7%	HK$4,300,000,000
8%	HK$4,800,000,000

Scenario E: Sensitivity of fair market value to changes in the discount rate

Discount Rate	Indicated Fair Market Value of 100% Equity Interest in Weldtech Technology (After Marketability Discount)
13.8%	HK$4,200,000,000
14.8%	HK$3,700,000,000
15.8% (Base case)	**HK$3,200,000,000**
16.8%	HK$2,800,000,000
17.8%	HK$2,500,000,000
18.8%	HK$2,200,000,000
19.8%	HK$1,900,000,000
20.8%	HK$1,700,000,000

Scenario F: Sensitivity of fair market value to changes in the discount for lack of marketability

Discount for Lack of Marketability	Indicated Fair Market Value of 100% Equity Interest in Weldtech Technology (After Marketability Discount)
10%	HK$3,600,000,000
15%	HK$3,400,000,000
20% (Base case)	**HK$3,200,000,000**
25%	HK$3,000,000,000
30%	HK$2,800,000,000
35%	HK$2,600,000,000
40%	HK$2,400,000,000

CONCLUSION OF VALUE

Based on the above investigation and analysis, it is our opinion that the fair market value of a 100% equity interest in the business enterprise of Weldtech Technology as at **31 December 2013** is reasonably stated by the amount of **HONG KONG DOLLARS THREE BILLION AND TWO HUNDRED MILLION (HK$3,200,000,000)** only.

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

We hereby certify that we have neither present nor prospective interests in the Weldtech Group, the Group, the Vendors or the values reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, ASA	**Kelvin C.H. Chan, FCCA, CFA**
Managing Director	*Director*

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation/Intangible Assets) of the American Society of Appraisers and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, the PRC and the Asian region for various purposes since 1988.

Mr. Kelvin C.H. Chan is a CFA Charterholder and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

APPENDIX OF THE BUSINESS VALUATION REPORT OF THE WELDTECH GROUP

INFORMATION OF THE COMPARABLE COMPANIES

Comparable Companies		Stock Code/ Country of Listing	Leveraged Beta as at the Appraisal Date*	Market Capitalization as at the Appraisal Date (RMB million)*	Turnover in 2012 (RMB million)*	Relevant Business Activities
1.	Guangzhou Zhiguang Electric Co., Ltd.	002169 PRC	1.16	1,612.2	391.5	Research, development, design, manufacture and sale of electric power supplying controlling and automation products, as well as electric information products and integrated energy-saving services, mainly for industrial use, in the PRC. Provision of EMC related services since 2010 and the accumulated expected value of signed EMC projects up to 30 June 2013 has exceeded RMB1.2 billion.
2.	Tellhow Sci-tech Co., Ltd.	600590 PRC	1.25	3,347.2	2,459.8	Development and manufacture of intelligent power station products, intelligent building electrical equipment, and photoelectric products. Its products include emergency power supply equipment, power transmission equipment, central air-conditioners, and other related products. Provision of energy saving solutions since 2011 and currently with adoption of EMC model in the PRC.
3.	Tsinghua Tongfang Co., Ltd. (“**Tongfang**”)	600100 PRC	1.10	22,352.5	22,180.9	Apart from specialisation in information technology industry, Tongfang also produces energy and environmental engineering equipment. For its energy saving business, it is mainly engaged in the provision of waste heat reuse solutions and other energy saving solutions. Completion of six EMC projects with a total capital investment of over RMB228 million in the PRC up to 31 December 2012.
4.	Shanghai Yanhua Smartech Co., Ltd.	002178 PRC	1.11	2,493.1	588.7	Provision of planning and consulting of architecture intellectualization, project designing, equipment procurement, engineering construction, integrated debugging, project management as well as the provision of implementation, maintenance and value-added services. Being the first batch of ESCOs selected by the the NDRC, the MOF.

Comparable Companies		Stock Code/ Country of Listing	Leveraged Beta as at the Appraisal Date*	Market Capitalization as at the Appraisal Date (RMB million)*	Turnover in 2012 (RMB million)*	Relevant Business Activities
5.	Pan Asia Environmental Protection Group Limited	556 Hong Kong	0.70	1,339.3	410.8	Manufacture and sales of environmental protection ("**EP**") products and equipment, undertaking EP construction engineering projects, provision of EP related professional services and manufacture of EP construction materials in the PRC.
6.	Wasion Group Holdings Limited	3393 Hong Kong	1.01	1,067.8	2,452.3	Manufacture of energy measurement equipment, systems and services in the PRC. Wasion provides extensive support for technology, products and services to the energy measurement and management in public utilities and energy consumption units through a whole series of advanced measurement meters.
7.	Technovator International Limited	1206 Hong Kong	0.59	3,446.5	783.8	Provision of a wide range of products and professional services within the building technology sector. Its products include building automation, security and access controls, multi media conference facility systems, fire automation systems, and hi-tech building products. With adoption of the EMC model for its building automation system in the PRC.
8.	EnerNOC, Inc. ("**ENOC**").	ENOC the U.S.	1.31	3,134.6	1,754.1	Development and provision of clean and intelligent power solutions to commercial, institutional and industrial customers, as well as electric power grid operators and utilities. ENOC through its network centers remotely manages electricity consumption across a network of end-use customer sites.

* *Data extracted from Bloomberg*

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

11 April 2014

The Board of Directors
The Hong Kong Building and Loan Agency Limited
Unit F, 7/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

The Hong Kong Building and Loan Agency Limited (the "Company") and its subsidiaries (collectively, the "Group")

Comfort letter on forecast underlying the valuation on the entire equity interest of Weldtech Technology Co. Limited as contained in the Company's circular dated 11 April 2014 (the "Circular") — Very substantial transaction in relation to the acquisition of 100% issued share capital in Weldtech Technology Co., Limited involving the issue of consideration shares, convertible notes and promissory notes

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "**Underlying Forecast**") dated 31 October 2013 prepared by Grant Sherman Appraisal Limited (the "**Valuer**") in respect of the Valuation on the entire equity interest of Weldtech Technology Co. Limited (the "**Target Group**") and its subsidiary as at 31 December 2013 as set out in Appendix V of the Circular in connection with the proposed acquisition of 100% equity interest in the Target Group by the Company. The Underlying Forecast which is determined based on the discounted cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company (the "**Directors**") are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in Appendix V of the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Underlying Forecast and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

It is our responsibility to form an opinion, based on our work on the arithmetical accuracy of the calculation of the discounted future estimated cash flows and to report our opinion solely to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose.

We accept no responsibility to any other person in respect of, arising out of, or in connection with our work. Because the discounted future estimated cash flows relates to cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions included hypothetical assumptions about future events as detailed in Appendix V to the Circular and management actions that cannot be confirmed and verified in the same way as past result, and these assumptions may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the discounted future estimated cash flows and the variation may be material. Accordingly, we have not reviewed considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We have examined the arithmetical accuracy of the calculations of the Underlying Forecast. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the arithmetical accuracy of the calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the 100% equity interest of the Target Group.

Opinion

In our opinion, so far as the arithmetical accuracy of the calculations are concerned, the Underlying Forecast has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in Appendix V of the Circular.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate number: P05029
Hong Kong

The following is the text of a report from the financial adviser and prepared for the sole purpose of inclusion in this Circular.

F.E. Corporate Finance Advisory Limited
Units 809–818, Shui On Centre
6–8 Harbour Road
Hong Kong

11 April 2014

The Board of Directors
The Hong Kong Building and Loan Agency Limited
Unit F, 7/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We refer to the circular of The Hong Kong Building and Loan Agency Limited (the "**Company**") dated 11 April 2014 (the "**Circular**") of which this letter forms part. Terms used in this letter, unless otherwise defined, shall have the same meanings as those used in the Circular. We refer to the valuation report dated 11 April 2014 (the "**Valuation Report**") prepared by Grant Sherman Appraisal Limited, an independent valuer of the Company (the "**Independent Valuer**") in relation to the fair market value of a 100% equity interest in the business enterprise of Weldtech Technology Co. Limited and its subsidiaries (the "**Weldtech Group**").

This letter is issued in compliance with the requirement under Rule 14.62(3) of the Listing Rules. We have reviewed and discussed with the Company, the bases and assumptions adopted in the Valuation Report prepared by the Independent Valuer in the course of their work. We have also considered the letter from HLB Hodgson Impey Cheng Limited dated 11 April 2014 addressed to the Company regarding their opinion on whether the forecasts included in the Valuation Report has been properly compiled in accordance with the relevant accounting policies and calculations set out therein.

Our work has been undertaken for the purpose of reporting solely to the Board and for no other purpose. We have not independently verified the computations leading to the Independent Valuer's determination of the fair market value of the Weldtech Group. We have assumed that all information, materials and representations provided to us by the Group, the Weldtech Group and the Independent Valuer, including all information, materials and representations referred to or contained in the Circular, for which the Directors are responsible, are true, accurate, complete and not misleading, and that no material fact or information has been omitted from the above at the time they were provided or made, which remains the same up to the date of the Circular. Accordingly, we accept no responsibility, whether expressly or implicitly, on the fair market value of the Weldtech Group as set out in the Valuation Report prepared by the Independent Valuer.

On the basis of the foregoing and without giving any opinion on the reasonableness of, bases and assumptions on the valuation methods adopted in the Valuation Report prepared by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are of the opinion that the forecasts included in the Valuation Report, for which the Directors are responsible, have been made after due and careful enquiry by the Board.

Yours faithfully,
For and on behalf of
F.E. Corporate Finance Advisory Limited
Ginny Ho
Responsible Officer

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. NUMBER OF SHARES IN ISSUE

Issued number of Shares as at the Latest Practicable Date

586,245,466	Shares

Issued number of Shares upon Completion

586,245,466	Shares in issue as at the Latest Practicable Date
170,000,000	Consideration Shares to be allotted and issued upon Completion
1,578,125,011	Conversion Shares (to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds)
Total: 2,334,370,477	Shares

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be entered in the register of interests required to be kept under Section 352 of the SFO or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as follows:

Long positions in ordinary shares of the Company

Name of Directors	**Capacity**	**Number of underlying Shares held** *(Note)*	**Percentage of the number of Shares in issue**
Mr. So Yuen Chun	Beneficial owner	4,351,200	0.74%
Mr. Yeung Kwok Leung	Beneficial owner	4,351,200	0.74%
Ms. Yuen Wai Man	Beneficial owner	434,400	0.07%

Note: All underlying shares are options granted by the Company under the share option scheme adopted by the Company on 22 May 2008.

Save as disclosed above, none of the Directors and chief executives of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

4. PERSONS HAVING 5% OR MORE INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or pursuant to Section 336 of the SFO, which requires those, directly or indirectly, interested in 5% or more of the nominal value of any class of Share carrying rights to vote in all circumstances at general meetings of any other members of the Enlarged Group or had any option in respect of such capital:

Name of Shareholder	**Capacity**	**Number of Share(s)/ Underlying Share(s)**	**Approximate percentage of the number of Shares in issue** *(Note 1)*
CITIC Group Corporation *(Note 2)*	Interest of controlled corporation	73,462,878 Shares 681,962,375 Underlying Shares	128.86%
CITIC Limited *(Note 2)*	Interest of controlled corporation	73,462,878 Shares 681,962,375 Underlying Shares	128.86%
China CITIC Bank Corporation Limited *(Note 2)*	Interest of controlled corporation	73,462,878 Shares 681,962,375 Underlying Shares	128.86%
CITIC International Financial Holdings Limited *(Note 2)*	Interest of controlled corporation	73,462,878 Shares 681,962,375 Underlying Shares	128.86%
CIAM *(Note 2)*	Beneficial owner	73,462,878 Shares 681,962,375 Underlying Shares	128.86%
Mr. Cheng *(Note 3)*	Interest of controlled corporation	64,686,773 Shares 600,493,050 Underlying Shares	113.46%
Chinese Strategic Holdings Limited *(Note 4)*	Interest of controlled corporation	15,209,714 Shares 320,000,000 Underlying Shares	57.18%
Sina Winner Investment Limited *(Note 4)*	Beneficial Owner	320,000,000 Underlying Shares	54.58%

Name of Shareholder	Capacity	Number of Share(s)/ Underlying Share(s)	Approximate percentage of the number of Shares in issue *(Note 1)*
Ample Richness *(Note 3)*	Beneficial owner	29,089,327 Shares 270,038,787 Underlying Shares	51.02%
Smart Promise *(Note 3)*	Beneficial owner	22,679,814 Shares 210,538,725 Underlying Shares	39.78%
Infinite Soar *(Note 3)*	Beneficial owner	12,917,633 Shares 119,915,537 Underlying Shares	22.66%
Cross Cone *(Note 5)*	Beneficial owner	10,058,005 Shares 93,369,350 Underlying Shares	17.64%
Excel Arts *(Note 5)*	Interest of controlled corporation	10,058,005 Shares 93,369,350 Underlying Shares	17.64%
Ms. Lui *(Note 5)*	Interest of controlled corporation	10,058,005 Shares 93,369,350 Underlying Shares	17.64%
Newmargin Partners Ltd. *(Note 6)*	Beneficial owner	9,860,789 Shares 91,538,575 Underlying Shares	17.30%
Wang Qin *(Note 6)*	Interest of controlled corporation	9,860,789 Shares 91,538,575 Underlying Shares	17.30%
China Energy Conservation and Environmental Protection Group *(Note 7)*	Interest of controlled corporation	7,001,160 Shares 64,992,387 Underlying Shares	12.28%

Name of Shareholder	Capacity	Number of Share(s)/ Underlying Share(s)	Approximate percentage of the number of Shares in issue *(Note 1)*
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Ltd. *(Note 7)*	Interest of controlled corporation	7,001,160 Shares 64,992,387 Underlying Shares	12.28%
Carbon Reserve *(Note 7)*	Beneficial owner	7,001,160 Shares 64,992,387 Underlying Shares	12.28%
Chinese Capital Management Limited *(Note 8)*	Beneficial owner	64,206,000 Underlying Shares	10.95%
Central Huijin Investment Ltd. *(Note 9)*	Interest of controlled corporation	4,930,394 Shares 45,769,275 Underlying Shares	8.65%
China Construction Bank Corporation *(Note 9)*	Interest of controlled corporation	4,930,394 Shares 45,769,275 Underlying Shares	8.65%
Season Best *(Note 9)*	Beneficial owner	4,930,394 Shares 45,769,275 Underlying Shares	8.65%
Liang Gui Lian *(Note 10)*	Interest of controlled corporation	27,312,500 Shares 4,370,000 Underlying Shares	5.40%
Best Leader Asia Investment Limited *(Note 10)*	Interest of controlled corporation	27,312,500 Shares 4,370,000 Underlying Shares	5.40%
Express Advantage Limited *(Note 10)*	Beneficial owner	27,312,500 Shares 4,370,000 Underlying Shares	5.40%

Notes:

1. As at the Latest Practicable Date, the Company's number of issued ordinary Shares is 586,245,466 Shares.

2. These Shares comprise (i) 73,462,878 Consideration Shares to be allotted and issued to CIAM and (ii) 681,962,375 Conversion Shares to be allotted and issued to CIAM upon the exercise of the conversion rights attaching to the Convertible Bonds to be issued to CIAM pursuant to the Sale and Purchase Agreement. As at the Latest Practicable Date, CIAM was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed. CIAM is owned as to 40% by CITIC International Financial Holdings Limited, which is owned as to 70.32% by China CITIC Bank Corporation Limited, which is owned as to 66.95% by CITIC Limited, which is wholly owned by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the Consideration Shares and the Conversion Shares held by CIAM.

3. These Shares comprise (i)(a) 29,089,327 Consideration Shares to be allotted and issued to Ample Richness; (b) 22,679,814 Consideration Shares to be allotted and issued to Smart Promise; and (c) 12,917,633 Consideration Shares to be allotted and issued to Infinite Soar; and (ii)(a) 270,038,787 Conversion Shares to be allotted and issued to Ample Richness upon the exercise of the conversion rights attaching to the Convertible Bonds to be issued to Ample Richness; (b) 210,538,725 Conversion Shares to be allotted and issued to Smart Promise upon the exercise of the conversion rights attaching to the Convertible Bonds to be issued to Smart Promise; and (c) 119,915,537 Conversion Shares to be allotted and issued to Infinite Soar upon the exercise of the conversion rights attaching to the Convertible Bonds to be issued to Infinite Soar pursuant to the Sale and Purchase Agreement. As at the Latest Practicable Date, each of the Ample Richness, Smart Promise and Infinite Soar was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed. As at the Latest Practicable Date, (i) Ample Richness is wholly-owned by Mr. Cheng; (ii) Smart Promise is owned as to 60.88% by Mr. Cheng, 13.04% by Ms. Zhao Xiao Hua, 13.04% by Ms. Li Ying Li and 13.04% by Mr. Liu Zhi Qiang; and (iii) Infinite Soar is wholly-owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in the Consideration Shares and the Conversion Shares held by Ample Richness, Smart Promise and Infinite Soar.

4. These Shares comprise 320,000,000 conversion Shares to be allotted and issued to Sina Winner Investment Limited upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK$43,200,000 to be issued to Sina Winner Investment Limited by the Company at the conversion price of HK$0.135. Sina Winner Investment Limited is a wholly-owned subsidiary of Marvel Equity Investment Limited which in turn is a wholly-owned subsidiary of Rich Best Asia Limited. Rich Best Asia Limited is a wholly-owned subsidiary of Chinese Strategic Holdings Limited, a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange and therefore each of Marvel Equity Investment Limited, Rich Best Asia Limited and Chinese Strategic Holdings Limited is deemed to be interested in the conversion Shares of Sina Winner Investment Limited.

5. These Shares comprise (i) 10,058,005 Consideration Shares to be allotted and issued to Cross Cone and (ii) the 93,369,350 Conversion Shares to be allotted and issued to Cross Cone upon the exercise of the conversion rights attaching to the Convertible Bonds to be issued to Cross Cone pursuant to the Sale and Purchase Agreement. As at the Latest Practicable Date, Cross Cone was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed. Cross Cone is wholly owned by Excel Arts which in turn is owned as to 99% by Ms. Lui. By virtue of the SFO, each of Excel Arts and Ms. Lui is deemed to be interested in the Consideration Shares and the Conversion Shares held by Cross Cone.

6. These Shares comprise (i) 9,860,789 Consideration Shares to be allotted and issued to Newmargin and (ii) the 91,538,575 Conversion Shares to be allotted and issued to Newmargin upon the exercise of the conversion rights attaching to the Convertible Bonds to be issued to Newmargin pursuant to the Sale and Purchase Agreement. As at the Latest Practicable Date, Newmargin was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed. Newmargin is wholly-owned by Mr. Wang Qin. By virtue of the SFO, Mr. Wang Qin is taken to be interested in the Consideration Shares and the Conversion Shares held by Newmargin.

7. These Shares comprise (i) 7,001,160 Consideration Shares to be allotted and issued to Carbon Reserve and (ii) 64,992,387 Conversion Shares to be allotted and issued to Carbon Reserve upon the exercise of the conversion rights attaching to the Convertible Bonds to be issued to Carbon Reserve pursuant to the Sale and Purchase Agreement. As at the Latest Practicable Date, Carbon Reserve was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed. Carbon Reserve is wholly-owned by CECEP HK, which is in turn wholly-owned by CECEP. By virtue of the SFO, each of CECEP HK and CECEP is deemed to be interested in the Consideration Shares and the Conversion Shares held by Carbon Reserve.

8. These are options to subscribe for convertible bonds of the Company which can be converted to a maximum of 64,206,000 Shares at the conversion price of HK$0.10 per conversion share.

9. These Shares comprise (i) 4,930,394 Consideration Shares to be allotted and issued to Season Best and (ii) 45,769,275 Conversion Shares to be allotted and issued to Season Best upon the exercise of the conversion rights attaching to the Convertible Bonds to be issued to Season Best pursuant to the Sale and Purchase Agreement. As at the Latest Practicable Date, Season Best was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed. China Construction Bank Corporation is the ultimate beneficial owner of Season Best which is owned as to 57.23% by Central Huijin Investment Limited. By virtue of the SFO, each of CCBIAM, CCB International Assets Management (Cayman) Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited is deemed to be interested in the Consideration Shares and the Conversion Shares held by Season Best.

10. These Shares comprise (i) 27,312,500 Shares and (ii) unlisted physically settled derivatives that may be converted into a maximum of 4,370,000 underlying Shares. Express Advantage Limited is wholly-owned by Best Leader Asia Investment Limited, which is in turn wholly-owned by Liang Gui Lian. By virtue of the SFO, each of Best Leader Asia Investment Limited and Liang Gui Lian is deemed to be interested in the Shares and underlying Shares held by Express Advantage Limited.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

7. INTERESTS IN ASSETS AND CONTRACTS OF THE ENLARGED GROUP

Mr. Yeung Kwok Leung, a director of the Company, is also a director of FT Securities Limited (and the immediate holding company of FT Securities Limited) which was the placing agent being appointed for the placing of convertible bonds under specific mandate as disclosed in the circular of the Company dated 21 October 2013.

Save for the abovementioned, as at the Latest Practicable Date, (i) none of the Directors or experts named in the section headed "10. Experts and consents" in this appendix had any direct or indirect interest in the assets which had been, since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Company had been made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and (ii) there was no contract or arrangement subsisting as at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

8. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) that had been entered into by the Group within the two years immediately preceding the Latest Practicable Date:

(a) the termination agreement dated 24 August 2012 entered into among the Previous VSA Parties to terminate the Previous Sale and Purchase Agreement;

(b) the option placing agreement dated 16 April 2012 entered into between FT Securities Limited being the placing agent and the Company pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, on a best-effort basis, not less than six independent placees to subscribe for up to 100 options at a premium of HK$6,000 per option;

(c) the second option placing agreement dated 24 July 2012 entered into between FT Securities Limited and the Company with respect of placing up to 100 options at a premium of HK$7,830 per option to not less than six independent placees;

(d) the placing agreement dated 26 February 2013 (as supplemented and modified by supplemental agreements dated 15 March 2013, 22 August 2013 and 16 October 2013) entered into between FT Securities Limited being the placing agent and the Company pursuant to which the placing agent has conditionally agreed to procure the placees to subscribe for no more than 5 tranches (in which the principal amount of the convertible bonds placed in each tranche shall be HK$1,350,000 or any multiple thereof) of the convertible bonds of up to an aggregate principal amount of HK$60,750,000 on a best-effort basis;

(e) the Referral Agreement; and

(f) the Sale and Purchase Agreement.

9. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group had engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Grant Sherman Appraisal Limited	Independent professional valuer
F.E. Corporate Finance Advisory Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Schinders Law (PRC Legal Counsel)	PRC legal adviser

Each of HLB Hodgson Impey Cheng Limited, Grant Sherman Appraisal Limited, F.E. Corporate Finance Advisory Limited, and Schinders Law has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of HLB Hodgson Impey Cheng Limited, Grant Sherman Appraisal Limited, F.E. Corporate Finance Advisory Limited, and Schinders Law did not have any shareholding, directly or indirectly, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

a. The company secretary of the Company is Mr. So Yuen Chun. Mr. So is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

b. As at the Latest Practicable Date, the executive Directors were Mr. So Yuen Chun and Mr. Yeung Kwok Leung, brief biography of whom is set out below:

   Mr. So Yuen Chun ("**Mr. So**"), aged 42, was appointed as an independent non-executive Director on 15 January 2010 and re-designated as an executive Director on 1 December 2010. He was also appointed as the company secretary of the Company on 26 March 2011. Mr. So is also a director of certain subsidiaries of the Group. Mr. So is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He possesses more than 19 years of experience in the fields of auditing, accounting and finance. He is currently an executive director of Chinese Global Investors Group Limited (stock code: 5CJ.SI), a company listed on the Catalist board of the Singapore Exchange Securities Trading Limited.

Mr. Yeung Kwok Leung ("**Mr. Yeung**"), aged 40, was appointed as an executive Director on 1 March 2012. He is also a director of certain subsidiaries of the Group. Mr. Yeung holds a bachelor's degree in Accountancy and possesses more than 17 years' experience in auditing, financial controlling, accounting, corporate development as well as business strategy. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung is currently an executive director of Ceneric (Holdings) Limited (stock code: 542), a company listed on the Stock Exchange. Mr. Yeung was an executive director and the company secretary of China Fortune Financial Group Limited (stock code: 290) for the period from December 2005 to February 2012, a company listed on the Main Board of the Stock Exchange.

c. As at the Latest Practicable Date, the audit committee of the Company comprised of one non-executive Director, namely Mr. Lam Kwok Hing, Wilfred and three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Yeung Wai Hung, Peter and Mr. Lam Raymond Shiu Cheung. Brief biography of whom is set out below:

Mr. Lam Kwok Hung, Wilfred ("**Mr. Lam**"), aged 54, was appointed as an independent non-executive Director on 1 December 2010 and re-designed as a non-executive Director on 21 October 2011. He was also appointed as a member of the audit, nomination and remuneration committees of the Company, all with effect from 1 December 2010. He has been appointed Justice of the Peace of the Hong Kong Special Administrative Region since 1999 and awarded Queen's Badge of Honour in January 1997. Mr. Lam holds a bachelor's degree in Law with honours from The University of Hong Kong and a practising solicitor in Hong Kong. He also holds the professional qualification of Estate Agent's (Individual) Licence in Hong Kong.

Being an active member in social and charity activities, Mr. Lam is a Support Force Commander of the Civil Aid Service, Ex Officio Member of New Territories Heung Yee Kuk, Chairman of the Friends of the Community Chest (Kwai Tsing District), Honorary Advisor and Former Vice President of Junior Police Call (Kwai Tsing District), member of and Former Chairman of the Fight Crime Committee (Kwai Tsing District) and Director and Former Chairman of the Community Development Fund (Kwai Tsing District) in Hong Kong. He is also an executive member of the liaison association of the Chinese People's Political Consultative Conference, Guangdong Province.

Mr. Lam is currently an executive director and group vice president of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on Main Board of the Stock Exchange; a non-executive vice-chairman and non-executive director of National Arts Entertainment and Culture Group Limited (stock code: 8228), and a chairman and an executive director of Chinese Strategic Holdings Limited (stock code: 8089), both companies listed on the GEM of the Stock Exchange; and an independent non-executive director of PME Group Limited (stock code: 379), a company listed on Main Board of the Stock Exchange. Mr. Lam was also an independent non-executive director of Value Convergence Holdings Limited (stock code: 821), a company listed on the Main Board of the Stock Exchange, from 4 January 2010 to 30 May 2013.

Ms. Yuen Wai Man ("**Ms. Yuen**"), aged 42, was appointed as an independent non-executive director of the Company on 1 November 2012. She was also appointed as the chairman of the audit, nomination and remuneration committees of the Company, with effect from 1 November 2012. She graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 19 years. She is an independent non-executive director of Chinese Strategic Holdings Limited (stock code: 8089), a company listed on the GEM of Stock Exchange, since 4 July 2008.

Mr. Yeung Wai Hung, Peter ("**Mr. Yeung**"), aged 56, was appointed as an independent non-executive Director on 1 February 2011. He was also appointed as a member of the audit, nomination and remuneration committees of the Company, all with effect from 1 February 2011. Mr. Yeung holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of High Court of Hong Kong. Mr. Yeung has been a practicing solicitor for over 24 years and a partner of Messrs. Hau, Lau, Li & Yeung, Solicitors & Notaries since 1992. He possesses extensive experience in the areas of mergers and acquisition and commercial contracts. Mr. Yeung is currently also an independent non-executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the GEM of Stock Exchange. He was an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075) for the period from November 2009 to August 2011, a company listed on GEM of the Stock Exchange.

Mr. Lam Raymond Shiu Cheung ("**Mr. Lam**"), aged 48, was appointed as an independent non-executive director of the Company on 17 February 2012. He was also appointed as members of the audit, nomination and remuneration committees of the Company, with effect from 17 February 2012. He graduated from the Victoria University of Melbourne, Australia, with a bachelor of business degree majoring in banking and finance. He also earned a master degree in Applied Finance from Macquarie University of Australia. Mr. Lam has 22 years of extensive experience in business development and corporate finance. He started his career in corporate banking, after which he joined one of the biggest oil companies in the USA specializing in the area of business development. Mr. Lam is currently an executive director of Chinese Food and Beverage Group Limited (stock code: 8272) and an independent non-executive director of Zebra Strategic Holdings Limited (stock code: 8260) and China Assurance Finance Group Limited (stock code: 8090), all of the companies are listed on the GEM of the Stock Exchange. He resigned as the deputy chief executive officer of China Eco-Farming Limited (stock code: 8166) on 17 April 2013, a company which is listed on GEM of the Stock Exchange.

The audit committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system and internal control procedures.

d. The Company's share registrar and transfer office is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

e. The English texts of this circular, the notice of the EGM and the accompanying form of proxy prevail over their respective Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company, Unit F, 7/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this circular:

- the articles of association of the Company;
- the final results announcement of the Company for the year ended 31 December 2013, the annual reports of the Company for the three years ended 31 December 2010, 2011 and 2012;
- the accountants' report on the Weldtech Group, the text of which is set out in Appendix II of this circular;
- the report in relation to unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV of this circular;
- the business valuation report of the Weldtech Group, the text of which is set out in Appendix V of this circular;
- the report on profit forecast issued by F.E. Corporate Finance Advisory Limited, the text of which is set out in Appendix VI of this circular;
- the report on profit forecast issued by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix VI of this circular;
- the material contracts referred to in the section headed "8. Material Contracts" of this Appendix;
- the written consents referred to in the section headed "10. Experts and Consents" of this Appendix; and
- this circular.

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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of The Hong Kong Building and Loan Agency Limited (the "**Company**") will be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Wednesday, 30 April 2014 at 11:30 a.m. or any adjournment thereof (as the case may be) for the purpose of considering and, if thought fit, passing, with or without amendment or modification, the following resolutions:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the sale and purchase agreement dated 31 October 2013 entered into among (i) Total Global Holdings Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), (ii) CITIC International Assets Management Limited, Ample Richness Investments Limited, Smart Promise Limited, Infinite Soar Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Carbon Reserve Investments Limited and Season Best Investments Limited (together, the "**Vendors**"), and (iii) the Company (as Purchaser's guarantor) (the "**Sale and Purchase Agreement**", copies of which are tabled at this meeting and marked "A" and initialled by the chairman of this meeting for the purpose of identification), pursuant to which the parties to the Sale and Purchase Agreement agreed that, subject to the satisfaction of the conditions precedent therein, the Vendors will sell and the Purchaser will acquire the entire issued share capital of Weldtech Technology Co. Limited at the aggregate consideration of HK$2,476,000,010 (the "**Acquisition**") and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the creation and issue by the Company of the Convertible Bonds to the Vendors upon completion of the Acquisition in accordance with Sale and Purchase Agreement in an aggregate principal amount of HK$1,262,500,010 be and are hereby generally and unconditionally approved in all respects;

(c) the allotment and issue of new shares of the Company upon the exercise of conversion rights attaching to the Convertible Bonds be and are hereby approved;

(d) the allotment and issue by the Company of the Consideration Shares at the issue price of HK$0.8 per Consideration Share to the Vendors upon completion of the Acquisition in accordance with Sale and Purchase Agreement be and are hereby generally and unconditionally approved in all respects;

(e) the specific mandate pursuant to which the Consideration Shares and the Conversion Shares shall be allotted and issued be and is hereby approved; and

(f) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Sale and Purchase Agreement and the Referral Agreement and the transaction documents contemplated thereunder as he/she may in his/her absolute discretion consider necessary or desirable.

for the purpose of this resolution:

"Convertible Bonds" means convertible bonds in the aggregate principal amount of HK$1,262,500,010 with nil interest for the first 3 years and interest rate of 3% per annum for the fourth to tenth year from the date of issue, and with the conversion price (being HK$0.8 per new share of the Company (subject to adjustments)) and the maturity date of 31 December 2023, to be issued by the Company as part of the consideration under the Sale and Purchase Agreement; and

"Consideration Shares" means an aggregate of 170,000,000 new shares of the Company to be allotted and issued by the Company to the Vendors at the issue price (being HK$0.8) pursuant to the Sale and Purchase Agreement."

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

Hong Kong, 11 April 2014

Registered Office:
Unit F, 7/F
China Overseas Building
139 Hennessy Road
Wanchai, Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

(2) In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.

(3) Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or any adjournment.

(4) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the extraordinary general meeting, the meeting will be postponed. The Company will post an announcement on the Company's website http://www.hkbla.com.hk and the "Latest Company Announcements" page of the Stock Exchange website to notify Shareholders of the date, time and place of the rescheduled meeting.

(5) As at the date of this notice, the Board comprises Mr. So Yuen Chun and Mr. Yeung Kwok Leung being executive Directors; Mr. Lam Kwok Hing, Wilfred, J.P. 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.