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The Hong Kong Building and Loan Agency Limited

香港建屋貸款有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 145)

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

Financial advisor to the Company

Piper Jaffray

Reference is made to the announcement of the Company dated 30 November 2010.

THE ACQUISITION

The Board is pleased to announce that on 23 February 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors, the Guarantors and the Company, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the entire issued share capital of Weldtech Technology at a total consideration of HK\$2,800,000,000.

The Consideration shall be satisfied upon Completion: (i) as to HK\$231,000,000 by way of cash payable to SV Technology; (ii) as to HK\$1,650,000,000 by way of issue of the Convertible Notes with the Conversion Price (being HK\$0.16 per Conversion Share) to the Vendors; (iii) as to HK\$319,000,000 by way of issue of the Promissory Notes to the Vendors (other than SV Technology); and (iv) as to HK\$600,000,000 by way of allotment and issue of the Consideration Shares at the Issue Price (being HK\$0.16 per Consideration Share) to the Vendors. Details of the payment terms are set out in the paragraph headed “Consideration” in the section headed “Sale and Purchase Agreement” below.

According to the Vendors, the Weldtech Group 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.

Completion is conditional upon, among others, the Shareholders at the EGM approving, among others, (i) the transactions contemplated under the Sale and Purchase Agreement including the allotment and issue of the Consideration Shares and the Conversion Shares, as well as the issue of the Convertible Notes; and (ii) the increase in the authorised share capital of the Company. Further details of the conditions precedent to the Acquisition are set out in the paragraph headed “Conditions precedent” in the section headed “Sale and Purchase Agreement” below.

The Consideration Shares represent approximately 93.7% of the issued share capital of the Company as at the date of this announcement and approximately 26.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the allotment and issue of Shares under the Placing but before the issue of the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes.

The Conversion Shares represent approximately 257.7% of the issued share capital of the Company as at the date of this announcement and approximately 42.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes and the allotment and issue of Shares under the Placing. The Consideration Shares and the Conversion Shares shall be allotted and issued pursuant to the specific mandate to be granted by the Shareholders at the EGM.

The Issue Price is equivalent to the Conversion Price, which represents (i) a discount of approximately 19.2% to the closing price of HK\$0.198 per Share as quoted on the Stock Exchange on 23 February 2011, being the Last Trading Day; and (ii) a discount of approximately 20.5% to the average closing price of HK\$0.201 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day.

LISTING RULES IMPLICATIONS

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

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

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

The Board proposes to increase the Company's authorised share capital from HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each to HK\$3,000,000,000 divided into 30,000,000,000 Shares of HK\$0.10 each by the creation of an additional 25,000,000,000 new Shares. The proposed increase in authorised share capital of the Company by creating additional 25,000,000,000 new Shares is determined by taking into account the allotment and issue of the Consideration Shares and Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes, as well as the Company's need for flexibility to issue new Shares for future investments and developments, which will rank pari passu with all existing Shares when allotted and issued. The increase in the authorised share capital is subject to, among others, the approval of the Shareholders at the EGM.

GENERAL

The EGM will be convened to be held to approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the Conversion Shares, as well as the issue of the Convertible Notes; and (ii) the increase in the authorised share capital of the Company.

A circular containing, among other things, (i) further details of the Acquisition, the increase in authorised share capital of the Company and other information of the Group and the Enlarged Group; and (ii) a notice of the EGM, will be despatched to the Shareholders as soon as practicable. It is currently expected that it will take 7 weeks for the Company and the professional parties to prepare the relevant information for inclusion in the circular including, but not limited to, the accountants' report of the Weldtech Group, the unaudited pro forma financial information of the Enlarged Group, the industry report on the industry of the Weldtech Group, the technical report on the technology adopted by the Weldtech Group's business and valuation report on the business of Weldtech Group. Accordingly, the date of despatch of the circular is expected to be on or before 21 April 2011.

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

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 23 February 2011, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 28 February 2011.

INTRODUCTION

Reference is made to the announcement of the Company on 30 November 2010 in relation to, among others, the framework agreement entered into by the Purchaser regarding the Acquisition.

The Board is pleased to announce that the Purchaser, the Company (as the Purchaser's guarantor), the Vendors and the Guarantors (as SV Technology's guarantors) have entered into the conditional Sale and Purchase Agreement on 23 February 2011, pursuant to which the Purchaser will acquire the Sale Shares subject to the terms and conditions of the Sale and Purchase Agreement. Details of the terms and conditions of the Acquisition are set out below.

SALE AND PURCHASE AGREEMENT

Date : 23 February 2011

Parties:

Purchaser : Wise Planner Limited, a wholly-owned subsidiary of the Company

Vendors : (i) Carbon Reserve
(ii) Cross Cone
(iii) Newmargin
(iv) Season Best
(v) Smart Promise
(vi) SV Technology

Purchaser's guarantor : the Company

SV Technology's guarantors : Mr. Wong Ho Yuen (王豪源) and Mr. Wu Gang (吳剛)

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.

The Company has not engaged in any previous transactions which were related to the Acquisition or with each of the Vendors or the Guarantors 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, which are held by the Vendors as at the date of this announcement, details of which are set out as follows:

Name of Vendor	Number of Sale Shares held	Percentage
Carbon Reserve	150	15%
Newmargin	100	10%
Season Best	50	5%
Cross Cone	50	5%
Smart Promise	230	23%
SV Technology	420	42%
Total:	<u>1,000</u>	<u>100%</u>

Consideration

The Consideration of HK\$2,800,000,000 is payable to each Vendor as follows:

Name of Vendor	Amount of Consideration receivable (HK\$)
Carbon Reserve	420,000,000
Newmargin	280,000,000
Season Best	140,000,000
Cross Cone	140,000,000
Smart Promise	644,000,000
SV Technology	<u>1,176,000,000</u>
Total:	<u>2,800,000,000</u>

The Consideration is to be satisfied in the following manner:

- (i) as to HK\$231,000,000 by way of cash payable to SV Technology upon Completion;
- (ii) as to HK\$1,650,000,000 by way of issue of the Convertible Notes to the Vendors upon Completion;
- (iii) as to HK\$319,000,000 by way of issue of the Promissory Notes to the Vendors (other than SV Technology) upon Completion; and
- (iv) as to HK\$600,000,000 by way of allotment and issue of the Consideration Shares at the Issue Price (being HK\$0.16 per Consideration Share) to the Vendors upon Completion.

Payment of the Consideration in cash shall be funded by the internal resources, bank borrowings, the Placing (as defined below) to be conducted by the Group and/or other feasible ways of financing by the Group.

The Consideration was arrived at after arm's length negotiations between the Group and the Vendors after taking into account: (i) one condition precedent to the Acquisition being the business valuation of the entire equity interest of the Weldtech Group to be appraised by Grant Sherman Appraisal Limited, an independent valuer, shall show the valuation of the business of the Weldtech Group at not less than HK\$3.2 billion; (ii) the future prospect of the business of Weldtech Group including the business connection of Weldtech Group in the PRC and the support from its strategic investors; and (iii) Target's Guarantee provided by SV Technology under the Sale and Purchase Agreement.

Part of the Consideration payable to SV Technology will be settled in cash, whereupon part of the Consideration payable to other Vendors will be in the form of Promissory Notes. This is a result after arms' length negotiations between the Vendors and the Purchaser and was in recognition of shareholders of SV Technology's (i.e. the Guarantors) contribution in developing the software used in the UPPC System.

Further details of the Promissory Notes, the Consideration Shares and the Convertible Notes are set out in the sections headed "Promissory Notes", "Consideration Shares" and the "Convertible Notes" below.

Conditions precedent

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

- (a) all necessary board and shareholders' 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) 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;
- (d) the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares and the Conversion Shares and (if necessary) the issue of the Convertible Notes;
- (e) the Shareholders passing at the EGM of resolutions approving (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertibles Notes, the allotment and issue of the Consideration Shares and the Conversion Shares; and (ii) the increase of the authorised share capital of the Company from HK\$500,000,000 to HK\$3,000,000,000 by the creation of 25,000,000,000 additional Shares;

- (f) the Purchaser having received a legal opinion issued by a PRC legal adviser appointed by the Purchaser in such form and substance to the reasonable satisfaction of the Purchaser covering matters including, among other things, (a) the valid establishment, legally subsistence of the WFOE and the WFOE is not under liquidation; (b) the WFOE having obtained all necessary licences, approvals and permits for engaging in its business; (c) the legality, validity and enforceability of the licences, approvals and permits obtained by the WFOE for engaging in its business; (d) the legality and validity of the contracts entered into by the WFOE; and (e) any other matters as required by the Purchaser;
- (g) the Purchaser being reasonably satisfied with the results of the due diligence review of the business, operations and financial position of the Weldtech Group;
- (h) the Stock Exchange not having indicated to the Company that the transactions contemplated under the Sale and Purchase Agreement will be deemed as reverse takeover under the Listing Rules or the transactions contemplated under the Sale and Purchase Agreement not being regarded by the SFC as triggering the mandatory offer obligations under the Takeovers Code;
- (i) the independent professional valuers appointed by the Purchaser having issued the business valuation report (in such form and substance to the reasonable satisfaction of the Purchaser) on the business of the Weldtech Group showing the valuation of the business of the Weldtech Group at not less than HK\$3.2 billion;
- (j) a placing agreement (the “**Placing Agreement**”), in the form and substance acceptable to the Vendors and the Company, to be entered into by the Company for the placement of new Shares (the “**Placing**”) at the placing price of not less than HK\$0.16 per new Share with estimated proceeds of not less than approximately HK\$1 billion having become unconditional (other than the Sale and Purchase Agreement becoming unconditional) and the Placing Agent not having exercised its termination rights under the Placing Agreement (no matter whether related to any force majeure events);
- (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;
- (l) the Shares remaining listed and traded on the Stock Exchange and not being suspended for more than 15 consecutive trading days, save for the temporary suspension for clearance of this announcement, the circular or other related documents in relation to the Sale and Purchase Agreement or the Placing Agreement and the transactions contemplated thereunder; and
- (m) all warranties given by the Company under the Sale and Purchase Agreement remaining true, correct and not misleading in all material respects as at Completion.

The Purchaser may waive in writing the conditions set out in sub-paragraphs (c) and (g) above. The Vendors may waive in writing the conditions set out in sub-paragraphs (k) and (l) above. Save for the above, none of the above conditions can be waived. 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 2011 or such other date as the Vendors and the Purchaser may

agree in writing, 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. In the event the Vendors and the Purchaser shall fail to agree on the form and substance of the disclosure letter as regards the warranties given by the Vendors in the Sale and Purchase Agreement within 7 Business Days after the date of the Sale and Purchase Agreement, the Vendors or the Purchaser shall be entitled to terminate the Sale and Purchase Agreement.

The Placing

In anticipation of the funding requirement for the portion of Consideration to be settled by cash, business development and working capital requirement of the Weldtech's Group operation and/or other future potential investment and business opportunities of the Group, the Company currently envisages that it will enter into the Placing Agreement in relation to the Placing at the placing price of not less than HK\$0.16 per new Share with estimated proceeds of not less than approximately HK\$1 billion. The Company proposes that the Placing shall be conditional upon, among others, that the Acquisition having become unconditional (save for the condition that the Placing having become unconditional). As at the date of this announcement, the terms of the Placing have not been fixed and no agreement has been entered into between the Company and any placing agent(s). The Company will comply with the applicable Listing Rules as required when the Company enters into the Placing Agreement. The Company currently envisages that the entering into of the Placing Agreement would be before the despatch of the circular in relation to the Acquisition and relevant details of the Placing would be disclosed in the circular in relation to the Acquisition. Further announcement in relation to the Placing will be made by the Company as and when required under the Listing Rules.

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 will become subsidiaries of the Company and their results, assets and liabilities will be consolidated into the consolidated financial statements of the Company.

Given 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.

Target's Guarantee

SV Technology and the Guarantors irrevocably warranted and undertook to the Purchaser that the audited consolidated profit before tax (excluding extraordinary and exceptional items) of the Weldtech Group for the two years ending 31 March 2013 shall be not less than HK\$230,000,000 (the “**Target's Guarantee**”). The Target's Guarantee has been arrived at after taking into account the future prospect of the Weldtech Group by the management of the Weldtech Group for the year ending 31 March 2012 and for the year ending 31 March 2013.

The Purchaser shall procure its auditors to (i) issue the audited consolidated financial statements of the Weldtech Group for the year ending 31 March 2012 and the certificate (the “2012 Certificate”) certifying the 2012 Actual Profit on or before 30 June 2012; and (ii) issue the audited consolidated financial statements of the Weldtech Group for the two years ending 31 March 2013 and the certificate (the “2013 Certificate”) certifying the Cumulative Profit on or before 30 June 2013.

In the event the Cumulative Profit is less than the Target's Guarantee, SV Technology shall compensate the Purchaser in accordance with the following formula:

$$C = \frac{G - A}{G} \times V$$

Whereas

C means the amount of compensation payable (the “**Compensation Amount**”)

A means the Cumulative Profit, whereupon if the Cumulative Profit is a loss or is expressed in a negative number, it shall mean zero

G means HK\$230,000,000

V means HK\$693,000,000

After informing the Company by SV Technology, within 3 Business Days upon issue of the 2013 Certificate, the compensation may be made by (i) the Company redeeming or repurchasing at HK\$1.00 the Escrowed CN (as defined below), the aggregate principal amount of which shall be equivalent to the Compensation Amount, in accordance with the terms of the Convertible Notes; or (ii) SV Technology by way of cash. Where the aggregate principal amount of the Escrowed CN is less than the Compensation Amount, the shortfall between the Compensation Amount and the principal amount of the Escrowed CN shall be paid by SV Technology in cash.

The maximum Compensation Amount will be HK\$693 million in the event the Target's Guarantee is not delivered. It was an arrangement agreed between SV Technology, being the Vendor which has provided the Target's Guarantee, and the Company after arm's length negotiations.

Lock-up

Each of the Vendors (other than SV Technology) irrevocably warranted and undertook to the Purchaser that, upon Completion and on or before 31 July 2012, it will not, directly or indirectly,:

- (i) dispose of the Consideration Shares held by each of them;
- (ii) dispose of the Convertible Notes held by each of them and/or exercise any conversion rights attaching to such Convertible Notes.

SV Technology irrevocably warranted and undertook to the Purchaser that:

- (i) it will not, upon Completion and on or before 31 July 2012, dispose any of the Consideration Shares held by it; and

The Guarantors irrevocably warranted and undertook to the Purchaser that:

- (i) they will not, and will procure SV Technology will not, upon Completion and on or before 31 July 2012, dispose any of the Consideration Shares held by SV Technology; and
- (ii) subject to the release mechanism as set out paragraph headed “Escrow Arrangement and Release Mechanism” below, within 24 months upon Completion or the issue of the 2013 Certificate (whichever is later), it will procure SV Technology not, directly or indirectly, to dispose any of the Convertible Notes in the principal amount of HK\$693,000,000 or exercise of any conversion rights attaching thereto.

Escrow arrangement and release mechanism

Escrow Arrangement

Upon Completion, SV Technology shall immediately escrow the Convertible Notes in the principal amount of HK\$693,000,000 to the escrow agent (the “Escrow Agent”) to be agreed by the Purchaser and SV Technology (the “Escrowed CN”).

Release mechanism

- (i) Within 2 Business Days upon the issue of the 2012 Certificate (or such other date as the Purchaser and SV Technology may agree in writing), the Purchaser shall procure the Escrow Agent to release to SV Technology the Escrowed CN in the principal amount as calculated in accordance with the following formula. SV Technology shall then be free to dispose of or exercise the conversion rights attaching thereto:

$$R = \frac{P}{G} \times V$$

Whereas

R means the principal amount of the Escrowed CN to be released to SV Technology

P means the 2012 Actual Profit as shown in the 2012 Certificate. In the event if the 2012 Actual Profit is a loss, it shall mean zero. If the 2012 Actual Profit is more than HK\$230,000,000, it shall mean HK\$230,000,000

G means HK\$230,000,000

V means HK\$693,000,000

- (ii) Within 2 Business Days upon the issue of the 2013 Certificate (or such other date as the Purchaser and SV Technology may agree in writing), the Purchaser shall procure the Escrow Agent to release to SV Technology the Escrowed CN in the principal amount as calculated in accordance with the following formula. SV Technology shall then unconditionally free to dispose or exercise the conversion rights attaching thereto:

$$F = \left(\frac{A}{G} \times V \right) - R$$

Whereas

F means the principal amount of the Escrowed CN to be released to SV Technology. If the result of the formula within the bracket is zero, F shall mean zero. If the result of this whole formula is expressed in a negative number, F shall mean zero

A means the Cumulative Profit. If the Cumulative Profit is a loss or is expressed in a negative number, it shall mean zero. If the Cumulative Profit is more than HK\$230,000,000, it shall mean HK\$230,000,000

G means HK\$230,000,000

V means HK\$693,000,000

R means the Escrowed CN released to SV Technology in accordance with the formula set out in (i) above

In the event that the 2012 Certificate shows that the 2012 Actual Profit is HK\$230 million or more, the entire principal amount of the Escrowed CN will be released to SV Technology, which is then free to transfer the Convertible Notes or to exercise the conversion rights attaching thereto. In the event Weldtech Group incurs significant loss such that the Cumulative Profit is less than the Target's Guarantee or there being a cumulative loss, SV Technology will have to compensate the Company in accordance with the formula set out under the preceding paragraph headed "Target's Guarantee". Further, the obligation to make compensation by SV Technology is also guaranteed by the Guarantors. Based on the foregoing, the Directors are of the view that the interest of the Shareholders are protected despite the possibility that the entire Escrowed CN may have been released prior to 31 March 2013.

THE PROMISSORY NOTES

Pursuant to the Sale and Purchase Agreement, the Company will issue the Promissory Notes in the aggregate principal sum of HK\$319,000,000 to the Vendors (other than SV Technology) as part payment of the Consideration upon Completion as follows:

Name of Vendor	Principal amount of Promissory Notes to be issued (HK\$)
Carbon Reserve	82,500,000
Newmargin	55,000,000
Season Best	27,500,000
Cross Cone	27,500,000
Smart Promise	<u>126,500,000</u>
Total:	<u><u>319,000,000</u></u>

The Promissory Notes are unsecured and non-interest bearing. The Promissory Notes are transferrable and will mature on the fifth anniversary from the date of issue.

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

THE CONSIDERATION SHARES

Pursuant to the Sale and Purchase Agreement, the Company will issue an aggregate of 3,750,000,000 Consideration Shares to the Vendors upon Completion as part payment of the Consideration as follows:

Name of Vendor	Number of Consideration Shares to be issued
Carbon Reserve	562,500,000
Newmargin	375,000,000
Season Best	187,500,000
Cross Cone	187,500,000
Smart Promise	862,500,000
SV Technology	<u>1,575,000,000</u>
Total:	<u><u>3,750,000,000</u></u>

The aggregate 3,750,000,000 Consideration Shares represent (i) approximately 93.7% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 26.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the allotment and issue of Shares under the Placing; and (iii) approximately 15.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Conversion Shares and the allotment and issue of Shares under the Placing.

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 NOTES

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

Name of Vendor	Principal amount of Convertible Notes to be issued (HK\$)
Carbon Reserve	247,500,000
Newmargin	165,000,000
Season Best	82,500,000
Cross Cone	82,500,000
Smart Promise	379,500,000
SV Technology	<u>693,000,000</u>
Total:	<u><u>1,650,000,000</u></u>

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

Issuer	:	the Company
Maturity date	:	the tenth anniversary of the issue date of the Convertible Notes
Interest	:	for first three years: non-interest bearing for the fourth to tenth year: 3% per annum
Conversion Price	:	HK\$0.16 per Conversion Share (subject to adjustments)
Aggregate principal amount	:	HK\$1,650,000,000
Transferability	:	the Convertible Notes will be freely transferable and shall be transferable in whole multiples of HK\$5,000,000 (or such lesser amount as may represent the entire principal amount thereof), provided that save with the consent of the Stock Exchange, none of the Convertible Notes may be transferred to a connected person

- Conversion : holder(s) of the Convertible Notes shall have the right at any time from the day immediately following the date of issue of the Convertible Notes up to 4:00 p.m. on the maturity date to convert in whole or in part the outstanding principal amount of the Convertible Notes in integral multiples of HK\$5,000,000 into Conversion Shares, save that if at any time the outstanding principal amount of the Convertible Notes is less than HK\$5,000,000, or the holder(s) of the Convertible Notes intends to exercise the conversion rights attaching to the entire principal amount of all the Convertible Notes held by him, the whole (but not part only) of the outstanding principal amount of the Convertible Notes may be converted; provided that no Convertible Note 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) a holder of the Convertible Note and parties acting in concert with it would be required to make a mandatory offer for all issued shares of the Company (other than those already owned or agreed to be acquired by them) under the Takeovers Code.
- 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, such adjustments shall be determined by approved merchant bankers in such manner as they consider appropriate in accordance with the terms and conditions of the Convertible Notes. Each adjustment made pursuant to the adjustment event(s) would be certified by the auditors of the Company.
- Early redemption : the Convertible Notes are non-redeemable except (i) the Escrowed CN in relation to which the Company shall redeem or repurchase at the price of HK\$1.00 such principal amount of the Convertible Notes in the event the Cumulative Profit is less than the Target's Guarantee, further details of which are set out in the above paragraph headed "Target's Guarantee" under the section headed "Sale and Purchase Agreement" of this announcement and; (ii) where claims had been made against the Vendors (except SV Technology) by the Purchaser prior to 31 July 2012 whereupon the Company shall be entitled to redeem the relevant Convertible Notes at 100% of the principal amount, payment of which shall be made by set off against equivalent amount of such claim.
- Voting rights and ranking : holder(s) of the Convertible Notes shall not be entitled to attend or vote at any general meeting of the Company.

Listing : the Convertible Notes 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.

Assuming there will be no issue or repurchase of Shares from the date of this announcement, upon the exercise in full of the conversion rights attaching to the Convertible Notes at the Conversion Price, the Company will allot and issue an aggregate of 10,312,500,000 Conversion Shares, representing approximately 257.7% of the issued share capital of the Company as at the date of this announcement and approximately 42.4% of the issued share capital of the Company as enlarged by allotment and issue of the Consideration Shares, the Conversion Shares and the Shares under the Placing.

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 date of allotment and issue of the Conversion Shares.

THE ISSUE PRICE AND THE CONVERSION PRICE

The Issue Price and the Conversion Price are the same, being HK\$0.16 per Share. Each of the Issue Price and the Conversion Price was determined after arm's length negotiations between the Group and the Vendors, with reference to the prevailing trading price of the Shares during the period of negotiations in November and December 2010. Each of the Issue Price and the Conversion Price represents:

- (a) a discount of approximately 19.2% to the closing price of HK\$0.198 per Share as quoted on the Stock Exchange on 23 February 2011, being the Last Trading Day;
- (b) a discount of approximately 20.5% to the average closing price of HK\$0.201 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including Last Trading Day;
- (c) a discount of approximately 19.2% to the average closing price of HK\$0.198 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including Last Trading Day; and
- (d) a premium of approximately 100% over the unaudited consolidated net assets attributable to equity holders of the Company of approximately HK\$0.08 per Share as at 30 June 2010, based on the unaudited consolidated net assets according to the Company's interim report and the number of issued Shares as at the date of this announcement.

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 Notes. No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange.

LISTING RULES IMPLICATIONS

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

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

EFFECT ON THE SHAREHOLDING STRUCTURE

As at the date of this announcement, there were outstanding (i) convertible bonds in the aggregate principal amount of HK\$165,406 issued by the Company which are convertible into 1,654,060 Shares; (ii) options to subscribe for convertible bonds in the aggregate principal amount of HK\$39,483,718 which are convertible into 394,837,179 Shares; and (iii) 562,000,000 warrants to subscribe for 562,000,000 Shares.

The following chart depicts, assuming there being no issue (other than the Consideration Shares and the Conversion Shares) or repurchase of Shares from the date of this announcement, the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon Completion and completion of the Placing (but without taking into account the exercise of any Convertible Notes); and (iii) upon Completion and completion of the Placing (having taken into account the exercise in full of conversion rights attaching to the Convertible Notes at the Conversion Price):

Shareholders	As at the date of this announcement		Immediately after completion of the Placing and allotment and issue of Consideration Shares, but before the exercise of the conversion rights attaching to the Convertible Notes		Immediately after completion of the Placing and allotment and issue of (i) the Consideration Shares and (ii) the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes (<i>Note 1</i>)	
	Shares	%	Shares	%	Shares	%
Substantial Shareholder (as at date of this announcement):						
CGI (HK) Limited	554,000,000	13.87	See “Public” below		See “Public” below	
Vendors:						
Carbon Reserve	—	—	562,500,000	4.02	2,109,375,000	8.68
Newmargin	—	—	375,000,000	2.68	1,406,250,000	5.79
Season Best	—	—	187,500,000	1.34	703,125,000	2.89
Cross Cone	—	—	187,500,000	1.34	703,125,000	2.89
Smart Promise	—	—	862,500,000	6.16	3,234,375,000	13.30
SV Technology	—	—	1,575,000,000	11.25	5,906,250,000	24.29
Sub-total of Vendors:	—	—	3,750,000,000	26.79	14,062,500,000	57.84
Public:						
CGI (HK) Limited	See “Substantial Shareholder (as at the date of this announcement)” above		554,000,000	3.96	554,000,000	2.28
Placees of the Placing (<i>Note 2</i>)	—	—	6,250,000,000	44.63	6,250,000,000	25.70
Other public Shareholders	3,447,008,758	86.13	3,447,008,758	24.62	3,447,008,758	14.18
Total	4,001,008,758	100.00	14,001,008,758	100.00	24,313,508,758	100.00

Notes:

- The shareholding structure set out in this column is shown for illustration purpose only. Pursuant to conversion restrictions under the terms and conditions of the Convertible Notes, no conversion right may be exercised to the extent that such exercise or issue of Conversion Shares (i) would result in the Company’s non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules; or (ii) would trigger a general offer under Rule 26 of the Takeovers Code.

- Pursuant to the Sale and Purchase Agreement, the Company will enter into the Placing Agreement in relation to the Placing at the placing price of not less than HK\$0.16 per placing Share with net estimated proceeds of approximately HK\$1 billion. The Company expects that: (i) the placees shall be third parties independent of the Company, the Vendors and any of their respective connected persons; and (ii) none of the placees shall become the substantial shareholder of the Company.

INFORMATION ON THE WELDTECH GROUP

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

Background information

Weldtech Technology

Weldtech Technology is a company incorporated in Hong Kong with limited liability on 15 September 2004, of which 1,000 shares are issued and fully paid as at the date of this announcement. It is an investment holding company holding the entire equity interest in the WFOE. Prior to launching the UPPC business via the WFOE in 2008, Weldtech Technology was appointed as the representative of a United Kingdom-based company for trading of a natural gas pre-heating system to China Petroleum Material and Equipment (Group) Corporation. These businesses have ceased as from 2009 and since then Weldtech Technology has been focusing on the UPPC business.

The WFOE

The WFOE was established in Shanghai, the PRC with limited liability on 17 December 2007 with a term of operation for 20 years. The total investment amount of the WFOE is US\$1,280,000. As at the date of this announcement, its registered capital is US\$900,000, which was approved by the People's Government of Jingan District, Shanghai, the PRC on 1 December 2010. Of such amount of the registered capital, US\$820,100 has been paid up as at the date of this announcement, which was contributed by Weldtech Technology. Payment of the remaining registered capital (in the amount of US\$79,900) shall be due in December 2011 and will be paid up by Weldtech Technology prior to such due date or Completion, whichever is earlier.

Pursuant to the business licence of the WFOE, the business scope of the WFOE, among others, includes 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 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 WFOE has its own strong research and development capability. Its research and development team comprises of six members, two of whom are awarded doctorates of philosophy from Tsinghua University and Zhejiang University, the PRC. These two members have been involved in research and application of energy saving and control technology for more than 6 years. Two other members of the WFOE's research and

development team are holders of master degrees while the remaining are holders of bachelor degrees, all from prestigious institutions in the PRC. Some of such members have published articles in professional journals about the energy saving industry.

While the research, development, marketing and operational aspects of the WFOE are carried out by the staff of the WFOE, the UPPC system installation is sub-contracted to various sub-contractors.

The WFOE is currently actively developing new technology based on UPPC so as to broaden the scope of building energy solution saving, such as the “heating ventilation and air-conditioning” (“HVAC”) airside control optimisation, building energy monitoring system, real-time system fault detection and more advanced optimisation algorithm.

Revenue model of the Weldtech Group

The Weldtech Group’s customers are primarily (i) commercial property owners, including hotels; (ii) commercial property management companies; and (iii) conglomerates which operate factories, in particular, those industries which consume substantial energy, such as automobile sector, semiconductor sector and pharmaceutical sector.

The Weldtech Group can provide UPPC Systems to its customers in models of (i) outright sales; and (ii) 2 types of “energy management contracts”, commonly known as “EMC” in the energy saving industry. The two types of EMC are (a) sharing of energy savings; and (b) performance guarantee.

By an outright sale, the Weldtech Group will sell a UPPC System to its customers for a lump-sum payment which varies with the scale of the projects.

Under a sharing of energy savings EMC, the Weldtech Group will deliver the UPPC System to its customers and share a pre-determined percentage of the electricity expenses of the customers saved after the adoption of the UPPC System. This type of EMC agreement will lock-up for a period of time, normally about 5 to 10 years. Upon the expiry of such EMC agreement, the legal title of the UPPC System will be transferred to the customers.

Under a performance guarantee EMC, the Weldtech Group will deliver the UPPC System and received a fee upfront. The Weldtech Group will guarantee the percentage improvement of the cooling plant efficiency after the installation of the UPPC system for a fixed term, normally ranging from 1 year to 3 years. At a fixed interval during the term of the EMC, the Weldtech Group will conduct verification tests on the UPPC system performance and to ascertain the improvement of the cooling plant efficiency and if the efficiency is lower than the level which the Weldtech Group has guaranteed, the Weldtech Group will have to compensate the customers at a pre-determined manner.

The UPPC system

The ultra performance plant control system (the “UPPC System”) 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 acts like a brain for these components of a cooling plant to co-ordinate their performance and ultimately achieves energy saving result. 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. More information about the difference between the UPPC System and the other systems currently available in the market, as prepared by Berkeley Building Research and Technologies, Inc., a United-States based independent technical report provider engaged by the Company, can be provided upon request.

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

Before the UPPC System is properly delivered and installed in the customers' site, the Weldtech Group will source the hardware components from the independent original equipment manufacturers (OEM), and then integrate its self-developed software with the hardware components accordingly.

The UPPC System will then be connected with each of the components of a cooling plant, including the chillers, water pumps and cooling towers. The software component of the UPPC System will simulate energy performance through a series of mathematical algorithm for the cooling plant. Once the UPPC System is in operation, it will collect operational data such as temperature, flow rate, pressures from sensors installed in the cooling plant system and such data will be processed and analyzed by the software. The software is then able to instantly integrate and analyze the data and adjust each component of the cooling plant to its optimal energy performance so as to achieve the best energy efficiency of the whole plant.

As the sensors of the UPPC System will keep on collecting data and the data are processed and analysed on an on-going basis, the UPPC System will make adjustment to the cooling system on a real-time basis.

Technical report

A draft technical report (the "Technical Report") on the UPPC system has been prepared by Berkeley Building Research and Technologies, Inc., which is a third party independent of the Company, the Vendors and their respective connected persons. According to the Technical Report, the UPPC system takes a whole solution approach. It has both a software optimisation platform and a proprietary hardware system to support communication and the control. The UPPC system can optimise control not only for compressors or chillers, but also for chilled and cool water pumps and cooling towers.

According to the Technical Report, the UPPC system works better than other four similar energy-saving systems currently available in the PRC. One of the features of the UPPC system is that UPPC system can be easily switched on and off without disrupting operation of the existing cooling plants, a feature which is not common in other similar energy saving systems in the market. Accordingly, buildings operators will be able to measure the energy saving effectiveness of UPPC system easily and accurately.

The Technical Report will be signed and issued by Berkeley Building Research and Technologies, Inc., and be set out in the circular of the Company to be despatched to the Shareholders in relation to, among others, the Acquisition.

Patents owned by the Weldtech Group and recognition of energy saving capability of the Weldtech Group

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

No.	Patents	Patent number	Patent owner	Approval date
1	中央空調製冷系統的冷卻塔 能耗控制裝置 Central air conditioning cooling tower energy use control device	ZL 2008 20153157.8	WFOE	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	WFOE	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	WFOE	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	WFOE	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	WFOE	30 September 2009

In 2010, WFOE was listed 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”.

Key employees of the Weldtech Group

Pursuant to the Sale and Purchase Agreement, Mr. Wong Ho Yuen and Mr. Wu Gang (being the co-founders of Weldtech Technology and the Guarantors under the Sale and Purchase Agreement) and designated key employees as identified below, the majority of whom, according to the Vendors, are the existing key management of the Weldtech Group possessing a minimum experience of 4 years of relevant experience in air conditioning and/or energy saving business, to remain as directors or senior management of the Weldtech Group for a period of not less than 2 years commencing from the Completion Date. According to the Vendors, particulars and experience of Mr. Wong Ho Yuen, Mr. Wu Gang and other 5 key employees of the Weldtech Group are set out below:

Name	Position held in the Weldtech Group	Date/Year of joining the Weldtech Group	Years of relevant experience in air-conditioning and/or energy saving business (approximate)	Relevant experience
Mr. Wong Ho Yuen	Director and chief executive officer	2004	6	Mr. Wong was appointed as an executive director of Vaford Group, and managing director of Vaford Properties Limited in 1997. Then, Mr. Wong founded Weldtech Technology and its subsidiary – the WFOE. Mr. Wong leads Weldtech Technology to develop the UPPC system, and applicable patents in the PRC.
Mr. Wu Gang	Director, chief operational officer and chief technical officer	2004	14	Mr. Wu obtained a master degree in building performance and diagnostics from Carnegie Mellon University, the United States of America, and a bachelor degree in air-conditioning and ventilation engineering from Tongji University, the PRC. Before joining Weldtech Technology, he also worked for East China Architectural Design & Research Institute Co. Ltd. and Trane Air-Conditioning.
Ms. Tao Xiao Xue (<i>Note</i>)	Accountant	2010	4	Ms. Tao obtained a bachelor degree in accounting from Hainan University. She was the accounting manager of Hai Nan ZhongDa Pharmaceutical Co., Ltd, and the accountant of Modern Fordtec (Shanghai) Co., Ltd.

Name	Position held in the Weldtech Group	Date/Year of joining the Weldtech Group	Years of relevant experience in air-conditioning and/or energy saving business (approximate)	Relevant experience
Mr. Fan Chan	Sales director	2010	22	Mr. Chan obtained a master of science degree in business administration from Madonna University Livonia Michigan, the United States of America, and graduated from Shanghai University of Electricity Power, the PRC. He was a regional sales director of Teling Air-Conditioning Systems (Jiangsu) Co., Ltd, the sales director of Heatcraft Refrigeration (Wuxi) Co. Ltd.
Mr. Wang Fei	Engineering director	2010	13	Mr. Wang holds a bachelor degree in cooling and low temperature technology (heating and ventilation engineering) from University of Shanghai for Science and Technology. He was the engineer of Shanghai Dafang Air Conditioning Co., Ltd. and Hexiang Industrial Equipment Installation Co., Ltd.
Dr. Gu Daojin	Research and development manager	2010	7	Dr. Gu holds a doctorate in philosophy from Tsinghua University in engineering. Before joining the Weldtech Group, he was the project supervisor of Center For Building Energy Efficiency of Tsinghua University.
Dr. Chen Guojin	Control & automation manager	2010	12	Dr. Chen holds a doctorate in philosophy from Zhejiang University. Before joining the Weldtech Group, he was a senior engineer of ABB China Company Limited.

Note: Although Ms. Tao may not have the specific energy saving experience in the energy saving industry. Ms. Tao has the relevant financial background, training and experience to assume her role as accountant of the Weldtech Group. Ms. Tao joined the Weldtech Group in 2010 and is an integral member of the Weldtech's Group management and she is responsible for supervising the overall financial management of the Weldtech Group.

Financial information for the Weldtech Group

Set out below is the financial information of Weldtech Technology for each of the two years ended 31 March 2010 and the nine months ended 31 December 2010 which was prepared in accordance with Hong Kong accounting standard:

	For the year ended 31 March 2009 (HK\$'000) <i>audited</i>	For the year ended 31 March 2010 (HK\$'000) <i>audited</i>	For the nine months ended 31 December 2010 (HK\$'000) <i>unaudited</i>
Net asset value	923	2,564	7,681
Net profit/(loss) before taxation	991	1,641	7
Net profit/(loss) after taxation	991	1,641	7

According to the Vendors, the financial statements of Weldtech Technology as set out above were not prepared on a consolidated basis.

Set out below is the financial information of the WFOE for each of the two years ended 31 December 2010 which was prepared in accordance with PRC accounting standard:

	For the year ended 31 December 2009 (RMB'000) <i>audited</i>	For the year ended 31 December 2010 (RMB'000) <i>unaudited</i>
Net asset/(liabilities) value	413	2,266
Net profit/(loss) before taxation	56	(2,011)
Net profit/(loss) after taxation	56	(2,011)

The energy saving business

Based on the research findings of Frost and Sullivan (“Frost”), which is a third party independent of the Company, the Vendors and their respective connected persons, engaged by the Company, it is estimated that the market demand for energy saving solutions are tremendous in the PRC. This can be attributed to the PRC government policies which are positive drivers for energy saving market development and as such, a wide range of businesses are beginning to deploy energy solutions to address a broad spectrum of environmental issues.

According to the information provided by Frost, it is a consulting company founded in 1961 and has 40 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists.

According to Frost, in the PRC:

- (a) energy consumed by buildings accounts for nearly 27.0% of total energy consumption by 2009, and more than 80% of constructed buildings has not been optimised in chiller plant equipments which can be classified as highly power-consuming;
- (b) it is estimated that cumulative chiller plant was nearly 106.0 million in terms of refrigeration ton by the end of 2009, the number is anticipated to grow by no less than 12.0% in the compound annual growth rate (“CAGR”) in the next ten years; and
- (c) Chinese chiller plant Energy Management Company (“EMC”) market is an emerging market mainly driven by central and local government policy and increasing energy saving motivation. Total market demand for chiller plant optimisation amounted to nearly RMB318.0 billion in 2009, and is expected to hit a record of RMB1,666.3 billion by 2021, with a compound annual growth rate of 14.8%, driven by supportive central and local government policy and increasing energy saving motivation.

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

(i) *The political aspect*

The growth is derived from national policy. Some of the examples being,

- (1) “*Medium and Long Term Special Plan of Energy Conservation*” released by National Council in 2007. This has pointed out that the ten important energy saving projects is a very important engineering and technical way to reduce 20% of gross domestic product energy consumption per unit within the period of the 11th Five-Year Plan;
- (2) “*Guidance on accelerating development of EMC and energy saving service industries*” released in 2010 by National Development and Reform Commission of the PRC (“NDRC”) and Ministry of Finance of the PRC. This policy explicitly set out the incentive of providing subsidies and tax exemption to Energy Service Companies (“ESCOs”);
- (3) energy saving goal in the “12th Five-Year Plan” is expected to drive a total energy saving market of RMB3.4 trillion. In addition, energy saving is listed as one of the seven strategic emerging industries.

(ii) *The economic aspect*

The growth is derived from:

- (1) increasing electricity cost creates companies more incentives to procure energy saving services.
- (2) EMC business model is favored by end users for zero investment and guarantee of energy saving benefit.

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

(iii) *The technological aspect*

The growth is derived from:

- (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*

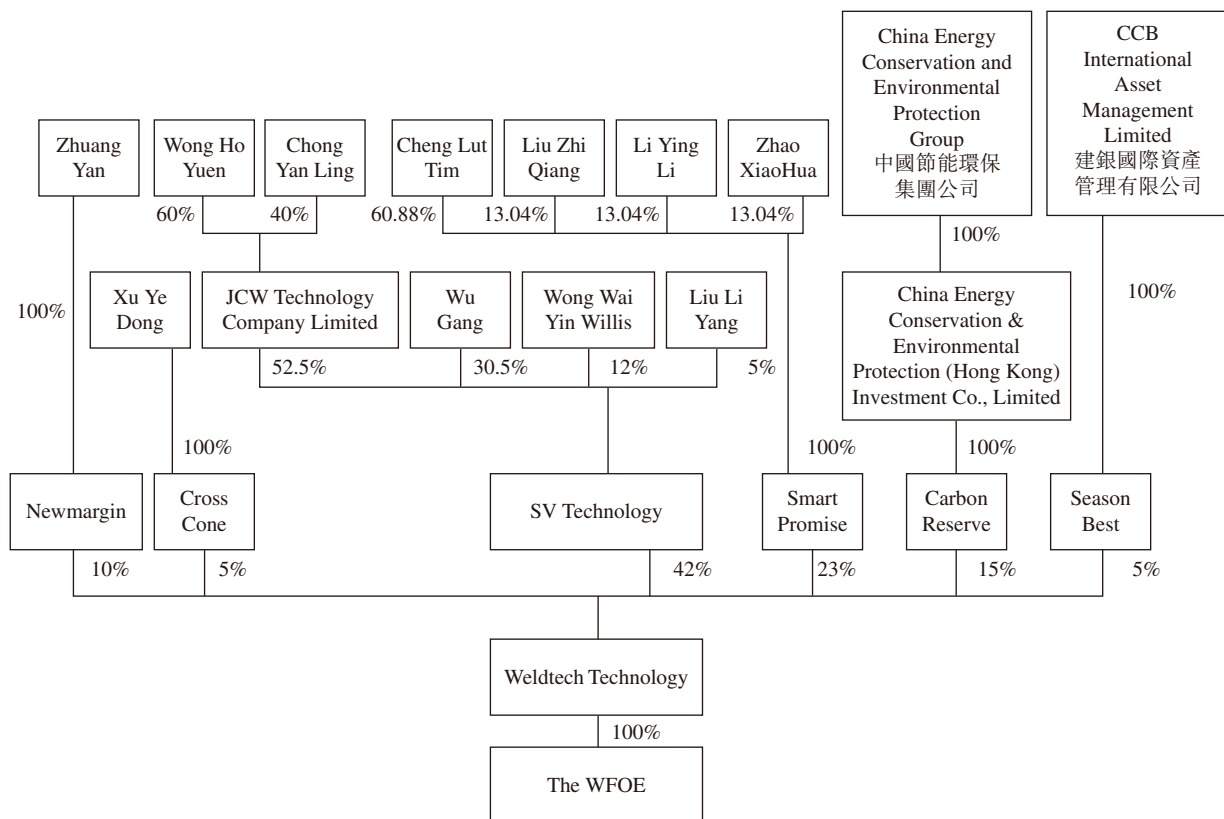
The growth is derived from:

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

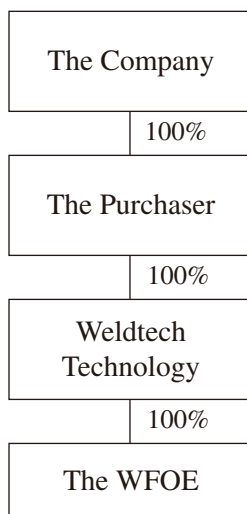
SHAREHOLDING STRUCTURE OF THE WELDTECH GROUP

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

(i) As at the date of this announcement



(ii) Immediately after Completion



INFORMATION OF THE VENDORS

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

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. (“China Energy”). According to the Vendors, China Energy is the official window company of China Energy Conservation and Environmental Protection Group (“CECEP”) in Hong Kong, a state-owned enterprise. CECEP is the exclusive company designated by the PRC government for implementation of energy saving policy and standards in the PRC. CECEP, commencing from May 2010, was reorganised under the guidance of the State-owned Assets Supervision and Administration Commission and renamed as “China Energy Conservation and Environmental Protection Group”.

Newmargin

Newmargin Partners Ltd., a company incorporated in BVI with limited liability. It is wholly-owned by Mr. Zhuang Yan and its sole director is Mr. Feng Tao. Its associate in the PRC is Shanghai NewMargin Ventures (“NM PRC”). NM PRC is a leading venture capital in the PRC. Mr. Feng Tao, managing partner of NM PRC, was ranked as a “Global enterprise star” out of 25 worldwide companies by Fortune magazine in 2001. NM PRC was regarded as “The Most Successful Venture Investors of Asia” in the 2001 Asian Venture Forum and selected as the only venture capital firm of the PRC with the shortest and youngest establishment. Mr. Feng Tao is also named as the “Top Ten Venture Capitalists” in 2003, 2004 and 2007. In 2009, Mr. Feng Tao was recommended as one of the “Best Venture Capitalist” by Forbes magazine.

Season Best

Season Best Investments Limited, a wholly owned subsidiary of CCB International Asset Management Limited (“CCBIAM”), was incorporated in the BVI. CCBIAM has investments including, without limitation, pre-IPO projects in the PRC and Hong Kong, as well as Hong Kong listed companies.

Cross Cone

Cross Cone Holdings Limited, a company incorporated in BVI and is wholly-owned by Mr. Xu Yedong (“Mr. Xu”). Mr. Xu holds a bachelor and master degree in economics. He had worked for Xinhua Press Agency, HK Branch (now known as the Liaison Office of the Central People’s Government in Hong Kong).

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 Lut Tim, Ms. Zhao Xiao Hua, Ms. Li Ying Li and Mr. Liu Zhi Qiang respectively.

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

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

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

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

SV Technology

SV Technology Company Limited, a company incorporated in Hong Kong with limited liability and is owned as to 52.5%, 30.5%, 12% and 5% by JCW Technology Company Limited, Mr. Wu Gang, Mr. Wong Wai Yin Willis and Mr. Liu Li Yang respectively.

JCW Technology Company Limited is an investment holding company, its issued share capital is owned as to 60% by Mr. Wong Ho Yuen and 40% by his spouse.

Mr. Wong Wai Yin Willis holds a bachelor of mathematics from University of Waterloo, Canada and is a holder of The Hong Kong Management Association Site Management Certificate. Mr. Wong Wai Yin Willis was one of co-founders of the Weldtech Group and a director of CS Chemical Co., Ltd.

Mr. Liu Li Yang is an executive director of eForce Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 943), as the deputy chairman, chief executive office and executive director, he was the co-head of China Investment Banking of Nomura International (HK) Limited. He has also worked in Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. He holds a master degree in business administration from Columbia University.

Please refer to the paragraph headed "Key employees of the Weldtech Group" for brief biography of Mr. Wong Ho Yuen and Mr. Wu Gang.

Respective responsibilities of the Vendors

Each of Carbon Reserve, Newmargin, Season Best and Cross Cone undertook and will undertake to the Weldtech Group that it shall use its best commercial effort to:

- (i) assist the Weldtech Group to seek appropriate business opportunity, promote the UPPC system and recommend such buildings under its direct or indirect control to install and utilise the UPPC system;
- (ii) assist the Weldtech Group on obtaining financing from commercial banks or from other lenders when the Weldtech Group needs funding to expand its operation;
- (iii) assist the Weldtech Group in maintaining its brand building, marketing, as well as technical and/or other certification for the UPPC system;
- (iv) assist the Weldtech Group to promote the UPPC system to relevant authorities to adopt UPPC system as a technical standard; and
- (v) assist the UPPC system to be certified by the relevant authorities.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in mortgage financing and treasury investments.

The Group's revenue for the three years ended 31 December 2009 were HK\$11.6 million, HK\$7.6 million and HK\$3.8 million respectively, which dropped at a CAGR of 73.4%. The Group's net result (excluding the fair value changes on financial assets) for the three years ended 31 December 2009 were loss of HK\$2.4 million, profit of HK\$0.6 million and loss of HK\$6.5 million respectively. 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 the 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.

The Company has 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. 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 on October 2010 is expected to be one of the seven strategic emerging industries to be developed. Also, the potential increase in energy fee provides companies 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 NDRC of PRC, several HVAC energy saving technologies including UPPC system, the implementations of which are expected to get financial subsidies. HVAC energy consumption occupies a large proportion in commercial buildings and industrial plants in the PRC. Meanwhile, improving social energy saving awareness sets more opportunities for HVAC energy saving retrofit. 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, the incentive provided by the PRC government for using environmental friendly products, the Directors are optimistic over the future demand of UPPC and the industry in which Weldtech Group operates.

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

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

Upon Completion, 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.

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; and (iv) the basis of the Consideration as mentioned above, 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 Notes) are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

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

As at the date of this announcement, the Group is principally engaged in mortgage financing and treasury investments. 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 the Group will continue to maintain its existing business. 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.

As at the date of this announcement, the Company does not have any current intention to change the existing composition of the Board upon Completion. The Sale and Purchase Agreement does not confer any right on the Vendors to nominate any Director to the Board upon Completion.

FUTURE DEVELOPMENT PLAN

As mentioned above, the Group is principally engaged in mortgage financing and treasury investments. The Company has 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. Upon Completion, 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.

In terms of the energy saving solutions business, 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. The business model of the Weldtech Group, as part of the Enlarged Group, will be fully developed upon the execution of the following business plan:

Business plan from year 2011 to 2012

The UPPC system of the Weldtech Group is applicable to a wide range of commercial and industrial sectors in the PRC, including but not limited to semiconductor, pharmaceutical, steel, automobile, chain hotels, office and governmental buildings. As at the date of this announcement, the Weldtech Group has entered into strategic partnership agreements with two PRC leading property management companies pursuant to which these companies would promote the UPPC system of the Weldtech Group to the landlords and tenants for the properties under their management or consultancy services. As at the date of this announcement, according to the Vendors, the Weldtech Group has: (i) entered into 8 legally-binding contracts with customers that are engaged in real estate developing, semiconductor conglomerates, automobile conglomerates and hotel business; (ii) entered into 1 non-legally binding memorandum of understanding with a multinational corporation, which is in discussion with the Weldtech Group regarding retrofitting of existing building projects and/or new building construction projects with the UPPC system; and (iii) been in negotiation with 7 potential customers that are government authorities, automobile conglomerates, pharmaceutical conglomerates, hotel chain, real estate developer, gum manufacturer and electronics manufacturing conglomerates regarding retrofitting of existing building projects and/or new building construction projects with the UPPC system.

It is expected that 2 new projects will be completed by the financial year ending 31 March 2011, and 75 new projects will be completed by the financial year ending 31 March 2012.

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 relative higher than those in the second and third tier cities. Meanwhile, the Directors and the management consider that the increased awareness of energy saving and social responsibility would continue to provide ample opportunities for the UPPC system retrofit.

Sales and marketing

As at the date of this announcement, the Weldtech Group's sales and marketing team consisted of 6 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 expects the number of sales personnel in PRC sales offices will increase to 36 qualified sales engineers and project managers by the end of 2012. The Weldtech Group will continue to increase the headcount of its sales team and set up sales offices in Beijing, Shenzhen, Guangzhou, Chongqing, etc., corresponding to the future business growth.

Research and development

As at the date of this announcement, the Weldtech Group has a research and development team consisted of 6 engineers, 2 of whom had completed tertiary education and an average of 4 years of experience in the industry. The research and development team is responsible for the research of latest energy-saving technology on optimising air-conditioning system and development of the best solution and application of the UPPC system for the customers. Upon Completion, the Weldtech Group will continue to develop and improve the existing UPPC system and broaden the scope of other building energy-saving solutions. The Weldtech Group is working with CECEP to jointly develop an Urban Lighting Intelligent and Remote Monitoring System, which is part of energy monitoring systems and will be proposed to Wuhan government for urban lighting management of the city.

The Weldtech Group expects the member of engineers in the research and development team will increase to 9 by the end of 2012.

RISK FACTORS

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 Company has safeguarded part of the risk by employing 7 key employees of the Weldtech Group, details of which please refer to the paragraphs headed "Key employees of the Weldtech Group" under the section headed "Information of the Weldtech Group".

Limited operating history and the past results of the Weldtech Group may not be indicative of its future performance

There is limited historical information available about the Weldtech Group when evaluating the business and future prospects of the Weldtech Group. The business of the Weldtech Group only commenced since late 2007. As a result, the historical operating results of the Weldtech Group may not provide a meaningful basis for evaluating its business potential, financial performance and future prospects of the Weldtech Group. In particular, the future success of the Enlarged Group will require, among other factors, expansion of its customer base into new and emerging markets, a continuing increase in its ability to produce commercially viable and innovative energy-saving products and the maintenance or improvement of operating margin and cost efficiency. In order to sustain future growth, the Weldtech Group would need to implement its business plans effectively, maintain a resilient workforce and manage its costs effectively, and exercise adequate control and reporting systems in a timely manner. The business and prospects of the Weldtech Group should be considered in light of the risks and challenges that the Weldtech Group will face as a company with a relatively short operating history in a competitive industry and seeking to develop and manufacture new products in a rapidly growing market. There is no assurance that the Weldtech Group will have a rapid business growth in the future.

Nonetheless, based on the market demand figures prepared by Frost and Sullivan, a professional engaged by the Company, it appears that the market is growing at a fast pace and has yet to be explored. The growth in the future would depend rather on the marketing effort, the availability of sufficient financial resources and the energy saving capability of the Weldtech Group's products vis-à-vis others in the market.

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 adversely affected.

The Weldtech Group is well aware of the importance of product upgrading and development. Backed up by 6 numbers of the research and development professionals, some of which have obtained doctorate degrees and master degrees from Tsinghua University, Zhejiang University and Tongji University, 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

In order to manage the potential growth of its operations, 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.

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 will be adversely affected.

The Enlarged Group may be adversely affected by product liability claims

The Enlarged Group's energy management systems are typically sold with 1 to 5 years limited warranty for technical defects. As a result, the Enlarged Group bears the risk of extensive warranty claims for an extended period after its products are sold and revenue is recognized. The management of the Enlarged 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 Enlarged 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 Enlarged 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 Enlarged 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, in large part, 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 has 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. Wong Ho Yuen, Mr. Wu Gang, Mr. Fan Chan, Mr. Fei Wang, Dr. Gu Daojin, and Dr. Chen Guojin. 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 of 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 Enlarged Group 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.

The severity or length of the current recession is unpredictable. It is believed that the current uncertainty about economic conditions caused by the ongoing recession means that many of the Enlarged Group's customers are likely to postpone expenditure while credit markets remain, largely, closed to funding commercial and industrial developments. The industries and markets that the Enlarged Group operates in have always been and will continue to be vulnerable to these general macroeconomic downturns. The current recession is causing a drop in the demand for projects within the Enlarged Group's markets and industries, which will likely lead to greater price competition as well as decreased revenue and profit. The current recession is also likely to increase economic instability with the Enlarged Group's vendors, subcontractors, developers, and general contractors, which could cause the Enlarged Group to be exposed to greater liability as well as decreased revenue and profit. In the event that the business of the Enlarged Group's vendors, subcontractors, developers, or general contractors decline due to the global financial crisis and affect the demand of the Enlarged Group's products, the Enlarged Group's business, financial position and results of operations may be adversely affected.

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 demand 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 in emphasis to 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 additional 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.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the Company's authorised share capital from HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each to HK\$3,000,000,000 divided into 30,000,000,000 Shares of HK\$0.10 each by the creation of an additional 25,000,000,000 Shares. Such new Shares, upon issued and fully paid, shall rank pari passu in all respects with the Shares. The proposed increase in authorised share capital of the Company by creating additional 25,000,000,000 Shares is determined by taking into account the allotment and issue of the Consideration Shares and Conversion Shares pursuant to the Sale and Purchase Agreement, as well as the Company's need for flexibility to issue new Shares for future investments and developments. An ordinary resolution will be put forward at the EGM for the proposed increase in the Company's authorised share capital. The proposed increase in authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

The Board is of the view that the proposed increase in authorised share capital of the Company will provide flexibility to the Company in determining its future business plan, and is therefore in the interest of the Shareholders. No Shareholder is required to abstain from voting on the resolution to be proposed at the EGM regarding the proposed increase in authorised share capital of the Company.

GENERAL

The EGM will be convened to be held to approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the Conversion Shares, as well as the issue of the Convertible Notes; and (ii) the increase in the authorised share capital of the Company.

A circular containing, among other things, (i) further details of the Acquisition, the increase in authorised share capital of the Company and other information of the Group and the Enlarged Group; and (ii) a notice of the EGM, will be despatched to the Shareholders as soon as practicable. It is currently expected that it will take 7 weeks for the Company and the professional parties to prepare the relevant information for inclusion in the circular including, but not limited to, the accountants' report of the Weldtech Group, the unaudited pro forma financial information of the Enlarged Group, the technical report and valuation report on the business of Weldtech Group. Accordingly, the date of despatch of the circular is expected to be on or before 21 April 2011.

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

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 2:30 p.m. on 23 February 2011 pending the publication of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 28 February 2011.

DEFINITIONS

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

“2012 Actual Profit”	the audited consolidated profit before tax (excluding extraordinary and exceptional items) of the Weldtech Group for the year ending 31 March 2012
“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 to it under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business during their normal business hours
“BVI”	the British Virgin Islands
“Carbon Reserve”	Carbon Reserve Investments Limited, a company incorporated in Hong Kong and is wholly-owned by China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited
“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 announcement or such other date as may be agreed by the Vendors and the Purchaser in writing

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the aggregate consideration of HK\$2,800,000,000 payable in respect of the Acquisition pursuant to the Sale and Purchase Agreement
“Consideration Shares”	an aggregate of 3,750,000,000 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\$0.16 per Conversion Share upon the exercise of the conversion rights attaching to the Convertible Notes
“Conversion Shares”	the new Shares to be allotted and issued to the holders of the Convertible Notes by the Company upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the 10-year to mature convertible notes in the aggregate principal amount of HK\$1,650,000,000 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\$0.16) per Conversion Share (subject to adjustment), to be issued by the Company as part of the Consideration
“Cross Cone”	Cross Cone Holdings Limited, a company incorporated in BVI and is wholly-owned by Mr. Xu Yedong
“Cumulative Profit”	the audited consolidated profit before tax (excluding extraordinary and exceptional items) of the Weldtech Group for the two years ending 31 March 2013
“Director(s)”	the director(s) of the Company
“dispose”	means offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise))

“EGM”	the extraordinary general meeting of the Company to be convened to be held for the purpose of considering, and if thought fit, approving, among others, (i) 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 Notes; and (ii) the increase in the authorised share capital of the Company
“Enlarged Group”	the Group upon Completion
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Wong Ho Yuen (王豪源) and Mr. Wu Gang (吳剛)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	the issue price of HK\$0.16 per Consideration Share
“Last Trading Day”	23 February 2011, being the last trading day for the Shares before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Newmargin”	Newmargin Partners Ltd., a company incorporated in BVI with limited liability and is wholly-owned by Mr. Zhuang Yan
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Notes”	non-interest bearing promissory notes in the aggregate principal amount of HK\$319,000,000 to be issued by the Company to the Vendors (or their respectively nominee) for part of the Consideration which shall be due on the fifth anniversary from the date of its issue
“Purchaser”	Wise Planner Limited, a company incorporated in BVI and is wholly-owned by the Company
“Sale and Purchase Agreement”	the sale and purchase agreement in relation to the Acquisition which was entered into among the Purchaser, the Company, the Vendors and the Guarantors dated 23 February 2011
“Sale Shares”	the 1,000 shares of HK\$1.00 each in the share capital of Weldtech

“Season Best”	Season Best Investments Limited, a company incorporated in BVI with limited liability and is wholly-owned by CCB International Asset Management Limited
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Smart Promise”	Smart Promise Limited, a company incorporated in Hong Kong and is owned as to approximately 60.88%, 13.04%, 13.04% and 13.04% by Mr. Cheng Lut Tim, Ms. Zhao Xiao Hua, Ms. Li Ying Li and Mr. Liu Zhi Qiang respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SV Technology”	SV Technology Company Limited, a company incorporated in Hong Kong with limited liability and is owned as to 52.5%, 30.5%, 12% and 5% by JCW Technology Company Limited, Mr. Wu Gang, Mr. Wong Wai Yin Willis and Mr. Liu Li Yang respectively
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“UPPC”	ultra performance plant control
“Vendors”	together, Carbon Reserve, Cross Cone, Newmargin, Season Best, Smart Promise and SV Technology
“Weldtech Group”	Weldtech Technology and the WFOE
“Weldtech Technology”	Weldtech Technology Co. Limited, a company incorporated in Hong Kong and is wholly-owned by the Vendors
“WFOE”	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

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“%” per cent.

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Au Tin Fung
Executive Director

Hong Kong, 25 February 2011

As at the date of this announcement, the Board comprises Mr. Au Tin Fung, Mr. So Yuen Chun and Mr. Soong Kok Meng being executive Directors; Mr. Ng Cheuk Fan, Keith, Mr. Lam Kwok Hing, Wilfred and Mr. Yeung Wai Hung, Peter being independent non-executive Directors.