THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in **The Hong Kong Building and Loan Agency Limited**, you should at once hand this circular together with the enclosed form of proxy to the Purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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

The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 145)

(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) NOTICE OF EXTRAORDINARY GENERAL MEETING

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 53 of this circular.

A notice convening the EGM of The Hong Kong Building and Loan Agency Limited to be held at Falcon Room 1, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 24 June 2011 at 11:00 a.m. or any adjournment thereof is set out on pages 256 to 258 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

31 May 2011

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In this circular, unless the context otherwise requires, the following expressions 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
"Announcement"	the announcement of the Company dated 25 February 2011
"associate(s)"	has the meaning ascribed to it 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
"Business Valuation Report"	the independent business valuation report on the business of the Weldtech Group prepared by Grant Sherman Appraisal Limited, as set out in Appendix VI to this circular
"BVI"	the British Virgin Islands
"Carbon Reserve"	Carbon Reserve Investments Limited, a company incorporated in Hong Kong and was wholly-owned by China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited as at the Latest Practicable Date
"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" in the letter from the Board of this circular or such other date as may be agreed by the Vendors and the Purchaser in writing
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	the aggregate consideration of HK$2,800,000,000 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 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 Share(s)"	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 three 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 payment of the Consideration
"Cross Cone"	Cross Cone Holdings Limited, a company incorporated in BVI and was wholly-owned by Mr. Xu Yedong as at the Latest Practicable Date
"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, the Conversion Shares and the issue of the Convertible Notes, together with the Referral Agreement and the transactions contemplated thereunder; and (ii) the increase in the authorised share capital of the Company
"Enlarged Group"	the Group upon Completion
"Financial Adviser"	Piper Jaffray Asia Limited
"First Supplemental"	the first supplemental dated 19 April 2011 entered into between the Purchaser and the Referral Agent supplementing and amending the Referral Agreement
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., a global market research and consulting company, which is an Independent Third Party
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HVAC"	heating ventilation and air-conditioning
"Independent Third Party(ies)"	third party(ies) who is/are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, independent of the Company and connected persons of the Company
"Initial Deposit"	HK$10,000,000, being the refundable deposit for the Acquisition and part payment of the Consideration

"Initial Referral Agreement"	the referral agreement dated 17 December 2010 entered into between the Referral Agent and the Purchaser in relation to the Acquisition
"Initial 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 SV Technology Guarantors dated 23 February 2011
"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 the Announcement
"Latest Practicable Date"	27 May 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"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 was wholly-owned by Mr. Zhuang Yan as at the Latest Practicable Date
"Placing"	the placing of the Placing Shares with the net proceeds of not less than HK$900,000,000
"Placing Shares"	new Shares to be allotted and issued by the Company at the placing price of not less than HK$0.16 per new Share
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the 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 (save for SV Technology) for part payment of the Consideration which shall be due on the fifth anniversary from the date of their issue
"Purchaser"	Wise Planner Limited, a company incorporated in BVI and was wholly-owned by the Company as at the Latest Practicable Date
"Referral Agent"	Merit Leader Asia Limited, a company incorporated in the BVI with limited liability and an Independent Third Party

"Referral Agreement"	the Initial Referral Agreement as supplemented and amended by the First Supplemental and the Second Supplemental
"Sale and Purchase Agreement"	the Initial Sale and Purchase Agreement as supplemented and amended by the Supplemental Agreement and the Second Supplemental Agreement
"Sale Shares"	the 1,000 shares of HK$1.00 each in the share capital of Weldtech Technology
"Season Best"	Season Best Investments Limited, a company incorporated in the BVI with limited liability and was wholly-owned by CCB International Asset Management Limited as at the Latest Practicable Date
"Second Supplemental"	the second supplemental dated 28 April 2011 entered into between the Purchaser and the Referral Agent supplementing and amending the Referral Agreement and the First Supplemental
"Second Supplemental Agreement"	the second supplemental agreement dated 30 May 2011 entered into among the Purchaser, the Company, the Vendors and the SV Technology Guarantors supplementing and amending the Initial Sale and Purchase Agreement and the Supplemental Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company as at the Latest Practicable Date
"Shareholder(s)"	holder(s) of the Share(s)
"Smart Promise"	Smart Promise Limited, a company incorporated in Hong Kong and was 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 as at the Latest Practicable Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 21 April 2011 entered into among the Purchaser, the Company, the Vendors and the SV Technology Guarantors supplementing and amending the Initial Sale and Purchase Agreement

"SV Technology"	SV Technology Company Limited, a company incorporated in Hong Kong with limited liability and was owned as to 52.5% by JCW Technology Company Limited, 30.5% by Mr. Wu Gang, 12% by Mr. Wong Wai Yin Willis and 5% by Mr. Liu Liyang as at the Latest Practicable Date
"SV Technology Guarantors"	Mr. Wong Ho Yuen (王豪源) and Mr. Wu Gang (吳剛)
"Takeovers Code"	the Code on Takeovers and Mergers as published by the SFC, as amended from time to time
"Technical Report"	an independent technical report on the UPPC system prepared by Berkeley Building Research and Technologies, Inc. as set out in Appendix VIII to this circular
"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 was wholly-owned by the Vendors as at the Latest Practicable Date
"WFOE"	日滔貿易(上海)有限公司, a wholly foreign-owned enterprise established in the PRC, and was wholly-owned by Weldtech Technology as at the Latest Practicable Date
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

In this circular, for reference only, the translation of Renminbi into Hong Kong dollars is based on the exchange rate of RMB1.00 = HK$1.20; and the translation of United States dollars into Hong Kong dollars is based on the exchange rate of US$1.00 = HK$7.75.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese version shall prevail.

The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 145)

Executive Directors:
Mr. Au Tin Fung
Mr. So Yuen Chun
Mr. Soong Kok Meng

Independent non-executive Directors:
Mr. Ng Cheuk Fan, Keith
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter

Registered office:
Room 3501, 35th Floor
China Online Centre
No. 333 Lockhart Road
Wanchai, Hong Kong

31 May 2011

To the Shareholders, and for information only,
holders of options, warrants and convertible bonds of the Company

Dear Sir or Madam,

(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) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 25 February 2011, the Board announced that after trading hours of the Stock Exchange on 23 February 2011, the Purchaser entered into the Initial Sale and Purchase Agreement with the Vendors, the SV Technology Guarantors and the Company (as the Purchaser's guarantor), pursuant to which the Purchaser will acquire the Sale Shares subject to the terms and conditions of the Sale and Purchase Agreement.

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

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition, the Referral Agreement and the increase in authorised share capital of the Company; (ii) financial information on the Group and the Weldtech Group; (iii) the unaudited pro forma financial information on the Enlarged Group; (iv) property valuation reports on the properties of the Enlarged Group; (v) business valuation report on Weldtech Group and the related profit forecast; (vi) technical report on the UPPC system; and (vii) the notice of the EGM.

THE SALE AND PURCHASE AGREEMENT

Date: 23 February 2011 (Initial Sale and Purchase Agreement)
21 April 2011 (Supplemental Agreement)
30 May 2011 (Second Supplemental Agreement)

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; and (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 was an investment holding company and together with its ultimate beneficial owner(s) were Independent Third Parties as at the Latest Practicable Date.

The Company had not engaged in any previous transactions which were related to the Acquisition or with any of the Vendors or the SV Technology Guarantors in the 12 months prior to the date of the Initial 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 were held by the Vendors as at the Latest Practicable Date, details of which are set out as follows:

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

Consideration

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

Name of Vendor	Amount of Consideration receivable *(HK$)*	Percentage
Carbon Reserve	420,000,000	15%
Newmargin	280,000,000	10%
Season Best	140,000,000	5%
Cross Cone	140,000,000	5%
Smart Promise	644,000,000	23%
SV Technology	1,176,000,000	42%
Total:	**2,800,000,000**	**100%**

The Consideration is to be satisfied in the following manner:

(i) as to HK$231,000,000 (the "**Cash Consideration**") by way of cash payable to SV Technology, of which the Initial Deposit (in the amount of HK$10,000,000 as set out in the paragraph headed "Principal Terms of the Supplemental Agreement") was payable prior to 19 May 2011, and the balance of HK$221,000,000 is payable upon Completion;

(ii) as to HK$1,650,000,000 by way of issue of the Convertible Notes by the Company to the Vendors upon Completion;

(iii) as to HK$319,000,000 by way of issue of the Promissory Notes by the Company 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 by the Company at the Issue Price (being HK$0.16 per Consideration Share) to the Vendors upon Completion.

Payment of the Cash Consideration shall be funded by internal resources, bank borrowings, the Placing to be conducted by the Group and/or other feasible ways of financing by the Group. The Company will comply with all relevant Listing Rules in this regard and further details will be announced by the Company as and when appropriate in accordance with the Listing Rules.

The Consideration was arrived at after arm's length negotiations between the Group and the Vendors after taking into account (i) one of the conditions precedent to the Acquisition being the business valuation of the entire equity interest of the Weldtech Group show the Business Valuation Report at not less than HK$3.2 billion; (ii) the future prospect of the business of the Weldtech Group, including the business connections of the Weldtech Group in the PRC and the support from its strategic investors; and (iii) Target's Guarantee (as defined in the paragraph headed "Target's Guarantee" below) provided by SV Technology under the Sale and Purchase Agreement.

For the cash and Promissory Notes portion of the Consideration, the Consideration payable to SV Technology will be settled in cash, whereupon 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 SV Technology 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 that 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 in form and substance acceptable to the Vendors and the Company to be entered into by the Company for the Placing with net proceeds of not less than HK$900,000,000 having become unconditional (other than the condition that the Sale and Purchase Agreement having become unconditional) and the placing agent not having exercised its termination rights under the placing agreement (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 announcements, circular(s) or other related documents in relation to the Sale and Purchase Agreement or the Placing; and

(m) all warranties given by the Purchaser 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 (l) and (m) 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 breach 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.

As at the Latest Practicable Date, none of the conditions above had been fulfilled and no condition had been waived.

The Placing

In anticipation of the funding requirement for the Cash Consideration, business development and working capital requirement of the Weldtech Group and/or other future potential investment and business opportunities of the Group, the Company currently envisages that it will enter into a placing agreement in relation to the Placing at the placing price of not less than HK$0.16 per Placing Share with net proceeds of not less than HK$900,000,000. 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 Latest Practicable Date, the terms of the Placing had not been fixed and no agreement had been entered into between the Company and any placing agent. The Company will comply with the applicable Listing Rules as required when the Company enters into the placing agreement.

As at the Latest Practicable Date, the Directors envisaged that gross proceeds from the Placing should be no less than approximately HK$1 billion.

The net proceeds of the Placing after deducting the placing commission and estimated related expenses are estimated to be not less than approximately HK$900,000,000. After further deduction of the fee amounting to HK$140 million payable under the Referral Agreement, the remaining net proceeds are estimated to be not less than HK$760 million. The Directors intend to apply not less than 90% of the remaining net proceeds to expand the market share of the UPPC system in the coming future and the rest of 10% of remaining net proceeds are expected to be used as general working capital of the Enlarged Group.

A separate announcement and circular containing, among others, (i) further details of the Placing; and (ii) notice convening an extraordinary general meeting of the Company to approve the Placing will be despatched to the Shareholders as soon as practicable in accordance with requirements of 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 wholly-owned 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 SV Technology 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 not be 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 two financial years ending 31 March 2012 and 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

Upon written notice to the Company by SV Technology within three Business Days after issue of the 2013 Certificate, the Compensation Amount may be satisfied by (i) the Company redeeming or repurchasing at HK$1.00 the Escrowed CN (as defined in the paragraph headed "Escrow arrangement and release mechanism" below) in accordance with the terms of the Convertible Notes, the aggregate principal amount of which shall be equivalent to the Compensation Amount; or (ii) payment 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$693,000,000 in the event the Target's Guarantee cannot be reached. It was an arrangement agreed between SV Technology, being the Vendor which had 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; or

(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.

The SV Technology 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 of 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 to, directly or indirectly, 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 with the escrow agent (the "**Escrow Agent**") agreed by the Purchaser and SV Technology (the "**Escrowed CN**").

Release mechanism

(i) Within two 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 two 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 be free to dispose of 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$230,000,000 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 exercise the conversion rights attaching thereto. In the event the Weldtech Group incurs 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 SV Technology 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	126,500,000
Total:	**319,000,000**

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 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	1,575,000,000
Total:	**3,750,000,000**

The aggregate 3,750,000,000 Consideration Shares represent (i) approximately 92.1% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 48.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (iii) approximately 20.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares.

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

THE CONVERTIBLE 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	693,000,000
Total:	**1,650,000,000**

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	:	subject to the lock-up undertakings provided by the Vendors as set out in the paragraph headed "Lock-up" above, 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	:	subject to the lock-up undertakings by the Vendors as set out in the paragraph headed "lock-up" above, 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 the auditors of the Company 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" and; (ii) where claims had been made against the Vendors (except SV Technology) by the Purchase prior to 31 July 2012, 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 after the Latest Practicable Date, 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 253.4% of the issued share capital of the Company as at the Latest Practicable Date and approximately 56.9% of the issued share capital of the Company as enlarged by allotment and issue of the Consideration Shares and the Conversion Share.

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 then 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 15.8% to the closing price of HK$0.190 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 20.4% to the average closing price of HK$0.201 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 23 February 2011, being the 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 the Last Trading Day; and

(d) a premium of approximately 60.0% over the audited consolidated net assets attributable to equity holders of the Company of approximately HK$0.10 per Share as at 31 December 2010, based on the number of issued Shares as at the Latest Practicable Date.

THE SUPPLEMENTAL AGREEMENT AND THE SECOND SUPPLEMENTAL AGREEMENT SUPPLEMENTING AND AMENDING THE INITIAL SALE AND PURCHASE AGREEMENT

Principal terms of the Supplemental Agreement

Date	:	21 April 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 Guarantors	:	Mr. Wong Ho Yuen (王豪源) and Mr. Wu Gang (吳剛)

Pursuant to the Supplemental Agreement, the Cash Consideration shall be payable as follows:

(i) as to HK$10,000,000 as refundable deposit (being the Initial Deposit) and part payment of the Consideration payable to SV Technology on or before 19 May 2011 in cash by the Purchaser; and

(ii) the remaining amount of HK$221,000,000 payable by way of cash to SV Technology upon Completion.

SV Technology has undertaken to on-lend the Initial Deposit to Weldtech Technology as operating capital in the form of shareholder's loan, which shall be interest-free and repayable on demand. SV Technology has also undertaken not to demand for repayment of such shareholder's loan before the 30th Business Day after the Completion Date.

In the event Completion does not take place, the Deposit shall be refunded (without interest) to the Purchaser upon written demand.

Principal terms of the Second Supplemental Agreement

Date	:	30 May 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 Guarantors	:	Mr. Wong Ho Yuen (王豪源) and Mr. Wu Gang (吳剛)

Pursuant to the Initial Sale and Purchase Agreement, the net proceeds from the Placing shall be not less than HK$1 billion.

Pursuant to the Second Supplemental Agreement, the net proceeds of the Placing has been adjusted to an amount not less than HK$900,000,000.

Save for the amendments as set out in the Supplemental Agreement and the Second Supplemental Agreement, the Initial Sale and Purchase Agreement (as supplemented) shall in all respects remain and continue in full force and effect.

Reasons for the Supplemental Agreement and the Second Supplemental Agreement

Subsequent to the signing of the Sale and Purchase Agreement, the Directors and the management of the Weldtech Group have been having discussions on the growth potentials of the energy saving business. As mentioned in the Announcement, the Acquisition would allow the Group to diversify into a new line of business with significant growth potential, which the Directors are of the view that the energy saving industry as set out in "The 12th Five-Year Plan" announced by the PRC government in October 2010 is expected to be one of the seven strategic emerging industries to be developed. As such, the Directors believe the signing of the Supplemental Agreement for the purpose of facilitating the pre-stage operation of Weldtech Group will be beneficial for the early stage development of the energy saving business. The Directors consider that the signing of Second Supplemental Agreement helps maintain flexibility in its capital raising requirements. The Directors consider the terms of the Supplemental Agreement and the Second Supplemental Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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 allotted and 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 exchanges.

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 Independent Third Parties; 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 Latest Practicable Date, there were outstanding (i) convertible bonds in the aggregate principal amount of HK$28,220,086 issued by the Company which were convertible into 282,200,860 Shares; and (ii) 552,000,000 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 Latest Practicable Date, the shareholding structure of the Company (i) as at the Latest Practicable Date; (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); and (iv) upon Completion and completion of the Placing (having taken into account the exercise in full of conversion rights attached to the Convertible Notes at the Conversion Price and all outstanding convertible bonds, options and warrants of the Company convertible into Shares):

Shareholders	As at the Latest Practicable Date		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 *(Note 1)*		Immediately after completion of the Placing and allotment and issue of (i) the Consideration Shares, (ii) the Conversion Shares upon the exercise in full of the conversion rights attached to the Convertible Notes and all outstanding convertible bonds, options and warrants of the Company convertible into Shares *(Note 3)*	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
Substantial Shareholder (as at the Latest Practicable Date)								
CGI (HK) Limited	554,000,000	13.61	See "Public" below		See "Public" below		See "Public" below	
Vendors:								
Carbon Reserve	—	—	562,500,000	4.00	2,109,375,000	8.65	2,109,375,000	8.36
Newmargin	—	—	375,000,000	2.67	1,406,250,000	5.77	1,406,250,000	5.58
Season Best	—	—	187,500,000	1.33	703,125,000	2.88	703,125,000	2.79
Cross Cone	—	—	187,500,000	1.33	703,125,000	2.88	703,125,000	2.79
Smart Promise	—	—	862,500,000	6.13	3,234,375,000	13.27	3,234,375,000	12.83
SV Technology	—	—	1,575,000,000	11.19	5,906,250,000	24.22	5,906,250,000	23.42
Sub-total of Vendors:	**—**	**—**	**3,750,000,000**	**26.65**	**14,062,500,000**	**57.67**	**14,062,500,000**	**55.77**
Public:								
CGI (HK) Limited	See "Substantial Shareholder (as at the Latest Practicable Date)" above		554,000,000	3.94	554,000,000	2.27	554,000,000	2.20
Placees of the Placing *(Note 2)*	—	—	6,250,000,000	44.42	6,250,000,000	25.63	6,250,000,000	24.79
Other public Shareholders	3,516,075,007	86.39	3,516,075,007	24.99	3,516,075,007	14.43	4,350,275,867	17.24
Total	**4,070,075,007**	**100.00**	**14,070,075,007**	**100.00**	**24,382,575,007**	**100.00**	**25,216,775,867**	**100.00**

Notes:

1. 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 of the Listing Rules; or (ii) would trigger a mandatory general offer under Rule 26 of the Takeovers Code.

2. Pursuant to the Sale and Purchase Agreement, the Company will enter into a placing agreement in relation to the Placing at the placing price of not less than HK$0.16 per Placing Share with net proceeds of not less than HK$900,000,000. As at the Latest Practicable Date, the Directors envisaged that the gross proceeds from the Placing should be no less than approximately HK$1 billion. The Company confirms that: (i) the placees shall be third parties independent of the Company, the Vendors and any of their respective associates and connected persons; and (ii) none of the placees shall become a substantial Shareholder.

3. The shareholding structure set out in this column is shown for illustration purpose only.

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 were issued and fully paid as at the Latest Practicable Date. 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, the Weldtech Group was appointed as the exclusive distributor of a United Kingdom-based company for the trading of a heating system to China Petroleum Material and Equipment (Group) Corporation. The distributorship business has ceased as from 2009 and since then Weldtech Group 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 Latest Practicable Date, its registered capital was 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 had been paid up as at the Latest Practicable Date, 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 six years. Three other members of the WFOE's research and development team are holders of master's degrees while the remaining is holder of bachelor's degree, all from established institutions in the PRC. Some of such members have published articles in professional journals about the energy-saving industry.

Further details of members of the research and development team of WFOE are as follows:

Name	Personal Details
Dr. Gu Daojin	Dr. Gu obtained his doctorate degree in engineering from Tsinghua University in 2006 and is system application manager in the research and development team of the Weldtech Group. He has approximately 5 years of relevant experience since obtaining his doctorate degree.
Dr. Chen Guojin	Dr. Chen obtained his doctorate degree in engineering from Zhejiang University in 2004 and is the control and system application manager in the research and development team of the Weldtech Group. He has over 7 years of relevant experience since 2000.
Ms. Xu Ping	Ms. Xu obtained her master's degree in engineering in heat and gas supply, ventilation and air conditioning from Tongji University in 2008. Ms. Xu is a research and development engineer in research and development team of the Weldtech Group. She has approximately 3 years of relevant experience since obtaining her master's degree.
Mr. Zuo Ming Ming	Mr. Zuo obtained his master's degree in engineering in heat and gas supply, ventilation and air conditioning from Tongji University in 2009. Mr. Zuo is the research and development engineer in the research and development team of Weldtech Group. He has approximately 2 years of relevant experience since obtaining his master's degree.
Mr. Lu Tian Zhu	Mr. Lu obtained his master's degree in engineering of refrigeration and cryogenics from Southeast University in 2007. Mr. Lu is one of the research and development engineers in the research and development team of the Weldtech Group. He has approximately 4 years of relevant experience since obtaining his master degree.
Mr. Chen Chang	Mr. Chen obtained his bachelor degree in computer science and technology from East China University of Science and Technology in 2007. Mr. Chen is a research and development engineer in the research and development team of the Weldtech Group. He has approximately 2 years of relevant experience since graduated from his bachelor degree.

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 software of UPPC system would require a precise installation process to connect each hardware components, so that it could obtain the most accurate operational data to do the simulation and modeling. As such the WFOE will adopt a stringent sub-contractor selection policy. Pursuant to such policy the WFOE will, among other things, take into consideration the track record of sub-contractors for the UPPC system installation and will generally engage those sub-contractors which has already been established for 10 years with appropriate level of registered capital. The WFOE will also prefer those sub-contractors staffed with sufficient number of technical personnel and equipped with adequate mechanical equipment so as to ensure that they meet the needs of the construction progress and quality.

Pursuant to the quality control policy, the WFOE will examine the machineries and materials to be used by the sub-contractors to ensure they are in good quality. The WFOE will carry out quality inspection at different stages of installation process, including the pre-stage, middle and post-stage. All sub-contractors engaged by the WFOE will also be required to provide a two-year warranty in relation to the works they have performed.

The WFOE is actively developing certain new technologies so as to broaden the scope of building energy saving solution, such as HVAC airside control optimisation, building energy monitoring system, real-time system fault detection and more advanced optimisation algorithm.

As at the Latest Practicable Date, the WFOE had the following new technologies under research and development:

Technologies	**Descriptions**	**Latest status**	**Estimated launch date**
Chiller Intelligent Protector	The new technology will consist with hardware components and software, and will be embedded into the existing UPPC system for the purpose of providing real-time chiller surge protection during optimization and to enhance the stableness of the system	Testing in progress	September 2011
Simulated Annealing Algorithm with real-time control	The new technology is developed to improve efficiency of the optimization algorithm. By applying this new technology, the overall computation time for the existing UPPC system will be significantly reduced by 75%	Testing in progress	July 2011
Airside energy optimization and heating system control solution	The new technology is focus on improving energy efficiency of air terminals and heating systems of existing buildings	Testing in progress	July 2011

Technologies	Descriptions	Latest status	Estimated launch date
Lighting and energy monitoring systems	The new technology is a monitoring system that collects and analyzes energy and operating data of lighting and other energy systems of a building	Testing in progress	June 2011

Existing and target customers of the Weldtech Group

The Weldtech Group's existing and target 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. For details of the existing customers, please refer to the paragraph headed "Customers with contract signed" in this circular.

Revenue model of the Weldtech Group

After Completion, the Weldtech Group will generate revenues by providing UPPC system to its customers in models of (i) outright sales; or (ii) "energy management contracts", commonly known as "EMC" in the energy-saving industry. The EMC is a contract where the Weldtech Group will share in its customer's energy savings and some have performance guarantees.

By an outright sales, the Weldtech Group will sell an 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 adoption of the UPPC system. This type of EMC agreement will have a term of 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 receive a fee upfront as a deposit from the customers on a mutually agreed basis. 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 one year to three years. At a fixed interval during the term of the EMC, the Weldtech Group will conduct verification tests on UPPC system performance and to ascertain the improvement of the cooling plant efficiency. If the efficiency is lower than the level which the Weldtech Group has guaranteed, the Weldtech Group will have to compensate the customers in a pre-determined manner.

For the financial year ended 31 March 2011, the main income source of the Weldtech Group was contributed by EMC. The management of the Weldtech Group expects EMC and outright sales will contribute about 85% and 15% of the Weldtech Group's main income source for the financial year ending 31 March 2012 respectively. It is expected that the proportion of outright sales to gradually increase over time, which by the financial year ending 31 March 2021, EMC and outright sales will represent about 40% and 60% of main income sources of the Weldtech Group respectively.

In accordance with the Weldtech Group's accounting policies for outright sales, revenue will be recognised when the significant risks and rewards of ownership of UPPC system have been transferred to the customers, provided that the Weldtech Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. For EMC, finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Weldtech Group's net investment outstanding in respect of the leases. Total revenue of the Weldtech Group is determined based on the different type and size of each project. In general, a larger UPPC system with higher energy-saving capacities can be sold at a higher margin.

In determining product pricing, the Weldtech Group primarily considers the following factors: energy-saving potential of the system, cost of production, market expectations, price level of competitors, brand name and customer recognition.

As the sole source of revenue of the Weldtech Group is from the sale of the UPPC system, it is not expected that the revenue model of the Weldtech Group will change before and after Completion but the Directors and management of the Weldtech Group expect that, given the unique advantage possessed by the Weldtech Group, the Acquisition will further strengthen and facilitate the expansion plan of the Weldtech Group's business.

The UPPC system

The UPPC system

The UPPC system was developed by the Weldtech Group in 2008 and 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 and advantages 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, is set out in Appendix VIII of this circular.

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 programme developed on the basis of five patents owned by the WFOE as further described below.

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

In order to maintain a high product quality and customer satisfaction, the quality of the hardware components plays a significant role in the UPPC system. Therefore, WFOE applies a stringent OEM selection policy. Under such policy, when WFOE sources the hardware components for the UPPC system from OEM, it will, among other things, take into consideration the production capacities, technical and equipment advancement of the OEM. The OEM should maintain an appropriate inventory level to ensure demands for such hardware components could be met upon request. The OEM engaged by the WFOE are generally market leaders with high accreditations and recognition in the market.

The WFOE will require the OEM to provide technical support upon request. The after-sale services and the geographical coverage of the maintenance services are also the factors which the WFOE will consider in selecting the OEM.

During the manufacturing process, the WFOE will closely communicate with the OEM and carry out quality inspection on a regular basis. The quality control policy is to fully inspect the completed finished products upon receipt from the OEM. The WFOE conducts annual appraisals for each OEM to ensure their products are in good quality with stable performance. Each OEM will also be required to provide a two-year warranty in relation to the hardware components they produced.

As at the Latest Practicable Date, the WFOE had retained two and five qualified sub-contractors and OEM as below, most of whom are PRC-based enterprises with accumulated years of extensive experience and knowledge in machineries installation and production.

No.	Sub-contractors/ OEM	Company Name
1	Sub-contractor	上海澤啟機電設備安裝工程有限公司 (Shanghai Zeqi Mechancial & Electrical Engineering Co., Ltd.)*
2	Sub-contractor	昆山市固特暖通設備有限公司 (Kunshan Gute HVAC Equipment Co., Ltd)*
3	OEM	上海億特諾自動化科技有限公司 (Shanghai Yitenuo Automation Technology Co., Ltd)*
4	OEM	南京菲尼克斯電氣有限公司 (Phoenix Contact Nanjing Co., Ltd.)*
5	OEM	上海浦劍測控儀器有限公司 (Shanghai Pujian Instrument Co., Ltd)*
6	OEM	上海閃鑫機電設備有限公司 (Shanghai Shanxin Mechanical & Electrical Equipment Co., Ltd.)*
7	OEM	上海益同儀器儀表有限公司 (Shanghai Yitong Instrument Co., Ltd.)*

* *For identification purpose only*

Usually the WFOE will place orders with the major sub-contractors and OEM after the purchase orders from the customers have been confirmed. The WFOE will first schedule the entire installation plan and then enter into a procurement contract with the OEM for the hardware components required for the assembly of the UPPC system. The procurement contract will set out details such as the quantity, size and specifications as well as delivery arrangements. Upon receipt of the hardware components from the OEM, the WFOE will engage the qualified sub-contractors to assemble each hardware component according to the installation plan and made into the final product. The service agreements with the sub-contractors and OEM will be determined on a project-by-project basis.

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.

One limitation of UPPC is that the system works only with buildup cooling plants in commercial facilities. UPPC does not apply to unitary systems, such as VRV (variable refrigerant volume) and rooftop units, which are mostly used in small commercial and retail buildings.

Another limitation is on quality control. UPPC's major hardware components are from third parties. Therefore, UPPC system delivery and operation heavily rely on supply chain and OEM quality control. Any inconsistent performance during the manufacturing process will seriously affect the product quality or even cause product failure which will ultimately damage the WFOE's reputation. Thus, the WFOE applies a stringent OEM selection policy and will always have standby OEM as alternative to tackle any urgent situations.

Technical report

The Technology Report on the UPPC system has been prepared by Berkeley Building Research and Technologies, Inc., (the text of which is set out in Appendix VIII of this circular), which is a third party independent of the Company, the Vendors and their respective connected persons. According to the Technical Report, the UPPC system adopts a whole solution approach, which 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 four other 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, building operators will be able to measure the energy-saving effectiveness of UPPC system easily and accurately.

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

As at the Latest Practicable Date, the Weldtech Group was the owner of the following patents:

No.	Patents	Patent number	Patent owner	Approval date	Patent granted by
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	The WFOE	30 September 2009	State Intellectual Property Office of the People's Republic of China
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	The WFOE	30 September 2009	State Intellectual Property Office of the People's Republic of China
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	The WFOE	30 September 2009	State Intellectual Property Office of the People's Republic of China
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	The WFOE	30 September 2009	State Intellectual Property Office of the People's Republic of China
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	The WFOE	30 September 2009	State Intellectual Property Office of the People's Republic of China

The above patents are valid for 10 years from 18 September 2008 (being the date of application). Upon the expiry of the 10-year period, the patents will no longer be proprietary to the WFOE and the patents are non-renewable any further. According to legal advice obtained by the Company, under applicable laws and regulations in the PRC, a patent for utility model or design is granted for a period of 10 years. After expiry of the patent period, the owner of the patent will still be entitled to use the patent but on a non-exclusive basis. Although the above patents has a term of 10 years expiring in September 2018, the Weldtech Group will continue to be entitled to produce the UPPC system using the patented design after the end of the patent period. The Vendors advised the Company that the production and profitability of Weldtech Group will not be adversely affected as the fundamental technical know-how of the UPPC system is difficult to replicate. Weldtech Group will continue to develop the existing UPPC technology and apply for the new patents for the updated UPPC system from time to time.

In 2010, the 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 an "energy service company". According to the Vendors, being qualified as an "energy service company" will enjoy certain tax concession policies including the exemption from business tax and value added tax for EMC projects and the exemption from corporate income tax for the first three profit-making years and will be entitled to a 50% tax reduction in the succeeding three years.

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 SV Technology 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 four years of relevant experience in air-conditioning and/or energy-saving business, are to remain as directors or senior management of the Weldtech Group for a period of not less than two years commencing from the Completion Date. According to the Vendors, particulars and experience of Mr. Wong Ho Yuen, Mr. Wu Gang and other five 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	2007	14	Mr. Wu obtained a master's degree in building performance and diagnostics from Carnegie Mellon University, the United States of America, and a bachelor's 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. as an engineer in 1997; and Trane Air-Conditioning as a system application manager.
Ms. Tao Xiao Xue *(Note)*	Accountant	2010	4	Ms. Tao obtained a bachelor's degree in accounting from Hainan University. She was the accounting manager for Hai Nan ZhongDa Pharmaceutical Co., Ltd, and the accountant for 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. Chan Fan	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 Electric Power, the PRC. He was a sales manager and later a regional sales director of Teling Air-Conditioning Systems (Jiangsu) Co., Ltd during 1996 and 2008, the sales director of Heatcraft Refrigeration (Wuxi) Co. Ltd in 2009, the sales general manager of New Thormolgy (Shanghai) Co. Ltd. in 2010.
Mr. Wang Fei	Engineering director	2010	13	Mr. Wang holds a bachelor's degree in cooling and low temperature technology (heating and ventilation engineering) from the 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 and an engineering manager of Trane Air-Conditioning Systems (China) Co., Ltd. during 2006 and 2010.
Dr. Gu Daojin	System application 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 during 2006 and 2007 and the senior project engineer of Johnson Control Inc. in Shanghai in 2010.

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
Dr. Chen Guojin	Control and system application 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) Limited in 2008, a senior engineer of Shanghai Hi-Tech Control System Co., Ltd.

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 of the Weldtech Group

Set out below is the audited financial information of Weldtech Group that has been prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the accountants' report set out in Appendix II of this circular:

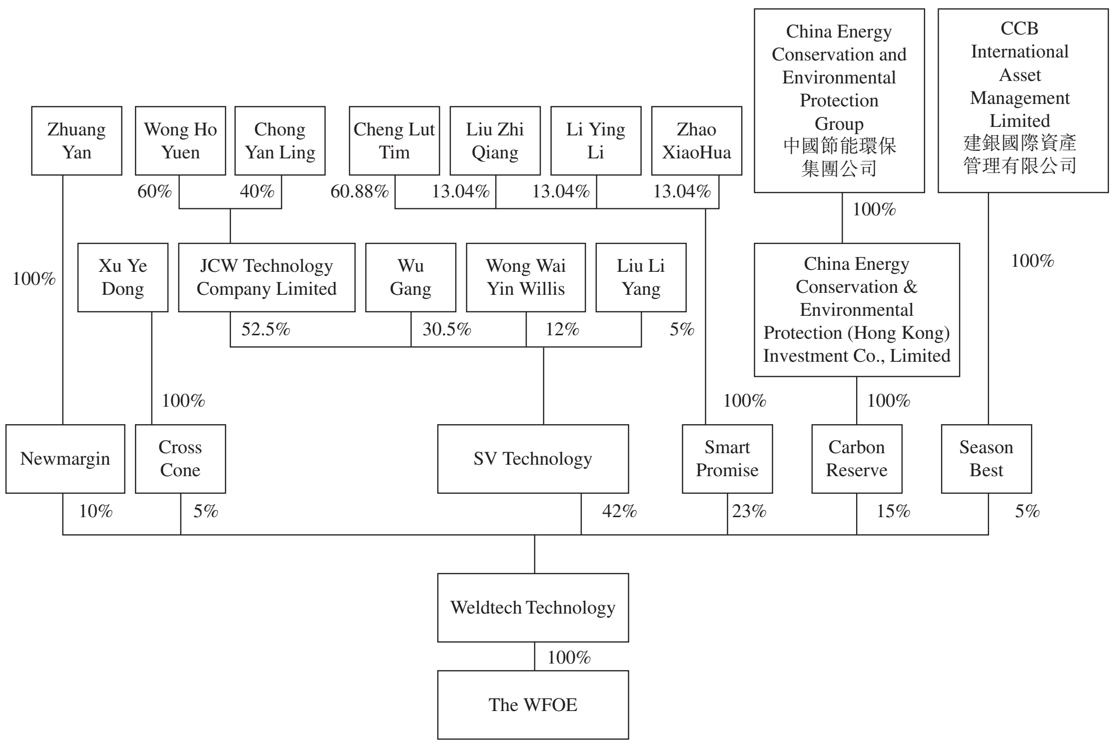
	For the year ended 31 March 2009 *(HK$'000)*	For the year ended 31 March 2010 *(HK$'000)*	For the period from 1 April 2010 to 31 December 2010 *(HK$'000)*
Turnover	2,364	136	13,526
Profit before taxation	310	575	4,134
Profit attributable to owners of Weldtech Technology	439	759	4,029

As at 31 December 2010, the net assets of the Weldtech Group was approximately HK$12 million.

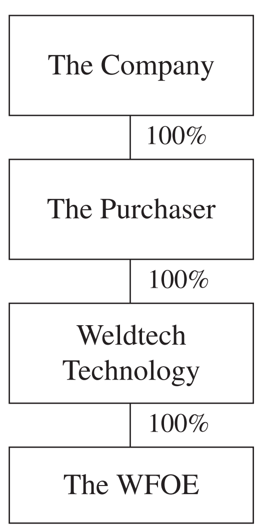
SHAREHOLDING STRUCTURE OF THE WELDTECH GROUP

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

(i) As at the Latest Practicable Date



(ii) Immediately after Completion



INFORMATION ON 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., Limited ("**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 mid-2010, was reorganised under the guidance of the State-owned Assets Supervision and Administration Commission and renamed "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 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. Mr. Feng Tao was also named 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**"), is a company 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. He had worked for Xinhua News 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 Cheng Lut Tim, Zhao Xiao Hua, Li Ying Li and 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 Ltd. 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 Liyang 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 degree from the University of Waterloo (Canada) and is a holder of the certificate programme on site management from the Hong Kong Management Association. Mr. Wong Wai Yin Willis was one of co-founders of the Weldtech Group and a director of CS Chemical Co., Ltd.

Mr. Liu Liyang 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 officer, he was the co-head of China Investment Banking of Nomura International (Hong Kong) 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's 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 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 compound annual growth rate 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 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 in 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 the PRC, several HVAC energy-saving technologies including UPPC system, the implementations of which are expected to be granted 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 competitive advantages:

(i) the Weldtech Group has obtained patent registration in relation to the UPPC technology that prevent, limit and interfere the current or potential competitors to make, use or sell the similar technology in PRC;

(ii) the Weldtech Group has its own research and development team which comprises six members, some of whom have obtained doctorate degrees and master's degrees from Tsinghua University, Zhejiang University and Tongji University. The Weldtech Group has confidence that it can outperform others and will be able to develop new products/features ahead of its potential competitors;

(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. During the early stage of development, the co-founders of Weldtech Technology had 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. Please also refer to the paragraph headed "Respective responsibilities of the Vendors" in this letter for further details of the pledge by these strategic investors; 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.

The Directors are of the view that the sharing-based EMC model is unique in the market because it is easily acceptable to clients who intends to carry out energy saving projects without making a substantial capital commitment upfront. Not only does it save capital expenses, it also provides confidence in the energy saving results to clients. This type of EMC model also requests substantial working capital for the energy saving solution providers, which creates significant competitive advantage and entry barrier to other market players.

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.

According to a report prepared by Frost & Sullivan, a third party independent to the Company, it is estimated that the market demand for energy-saving solutions are tremendous in the PRC. Total market demand in 2009 was RMB318.0 billion, which is expected to sustain a growth rate of around 14.8% from 2009 to 2021. This can be attributed to the PRC government policies and increasing energy-saving awareness and sustainable development motivation which are positive drivers for energy-saving market development. As such, a wide range of businesses are beginning to deploy energy-saving solutions to address a broad spectrum of environmental issues.

According to the Frost & Sullivan report, in the PRC, energy consumed by buildings accounted for nearly 27.0% of total energy consumption in 2009, and more than 80% of constructed buildings has not been optimised in chiller plant equipment, which can be classified as highly power-consuming. It is estimated that cumulative chiller plant was nearly 106.0 million in terms of refrigeration tonne by the end of 2009. The number is anticipated to grow by no less than 12.0% in compound annual growth rate ("**CAGR**") in the next 10 years. Chinese chiller plant "energy management company" 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.

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 Latest Practicable Date, the Group was 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. The Group is optimistic about the Group's mortgage finance and treasury investment businesses in the long run and will continue to develop this business by: (i) continuing to seek for suitable new mortgage finance and treasury investment business opporunities; (ii) continuing to strengthen its financial position for mortgage finance business; (iii) exercising caution when extending credit to improve quality of its loan portfolio; and (iv) exercising caution in treasury investments to maximize returns. 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 its resources to each of its two principal businesses based on each of their prevailing financing and other resources needs, namely (i) the treasury investments and the provision of loan finance business; and (ii) the business of energy monitoring and energy-saving solutions for buildings to reduce energy consumption, and to enhance overall energy efficiency of central air-conditioning system. The Group has no intention to dispose of or discontinue its existing mortgage financing and treasury management business, and will continue to devote its management experience and manpower to the operation of such business. The existing business strategy will be maintained with the aim to achieve a steady revenue income stream for the Company.

As at the Latest Practicable Date, the Company did not have any current intention to change the 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.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in mortgage financing and treasury investments. As mentioned in the annual report of the Company for the year ended 31 December 2010, Hong Kong's real property market has enjoyed a boom over the year under review which in turn has brought a remarkable increase in the prospect of the Group's mortgage finance businesses. The management of the Group is optimistic about the Hong Kong real property market in the long run. The Group will continue developing this business while also striving towards strengthening its overall financial position and focusing on the 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.

As at the Latest Practicable Date, except for the Acquisition as disclosed above, the Board confirmed that the Company had no future plans and had not entered into any definitive agreement in respect of any material investments or capital assets.

In terms of the energy-saving solution 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 business plan as set out below.

Business plan

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 Latest Practicable Date, the Weldtech Group had entered into strategic partnership agreements with three PRC leading property management companies pursuant to which these companies would promote the UPPC system of the Weldtech Group to the landlords and tenants of properties under their management or consultancy services. As at the Latest Practicable Date, the Weldtech Group had: (i) entered into ten legally-binding contracts with three, one, two, three and one customers that are engaged in real estate developing, semi-conductor conglomerates, automobile conglomerates, hotel and household appliances manufacturing businesses, respectively; (ii) entered into two non-legally binding memorandums of understanding ("**MOU**") with two corporations that are principally engaged in energy business and real estate development, respectively, which were 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 numerous potential customers, including 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.

Customers with contract signed

Business Type of Customers	Contract Type	Contract Years	Revenue Size *(RMB'000)*	Project status	Profit sharing ratio (%) (Weldtech/Buyer)	Major Terms and Conditions
1) Real estate developer	Energy Management Contract	5	2,400	Completed	Year 1-2: 90/10; Year 3-5: 60/40	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group on a monthly basis for 5 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract. During the contracted period, the ownership of UPPC system belongs to the Weldtech Group and the ownership will pass over to the buyer upon the end of the contracted period.
2) Semiconductor conglomerates	Energy Management Contract	4	6,700	Completed	4 years (maximum pay out RMB7,180,000)	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group on a monthly basis for 4 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract. During the contracted period, the ownership of UPPC system belongs to the Weldtech Group and the ownership will pass over to the buyer upon the end of the contracted period. The Maximum payment which the Weldtech Group could get in the contracted period is RMB7,180,000.
3) Hotel	Energy Management Contract	5	2,700	Completed	Year 1-3: 80/20; Year 4-5: 60/40	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group on a monthly basis for 5 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract. During the contracted period, the ownership of UPPC system belongs to the Weldtech Group and the ownership will pass over to the buyer upon the end of the contracted period.
4) Real estate developer	Energy Management Contract	5	5,400	Expected completion by early October 2011	Year 1-2: 90/10; Year 3-5: 60/40	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group on a monthly basis for 5 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract. During the contracted period, the ownership of UPPC system belongs to the Weldtech Group and the ownership will pass over to the buyer upon the end of the contracted period.
5) Real estate developer	Energy Management Contract	5	2,160	Expected completion by end of May 2011	Year 1-2: 90/10; Year 3-5: 60/40	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group on a monthly basis for 5 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract. During the contracted period, the ownership of UPPC system belongs to the Weldtech Group and the ownership will pass over to the buyer upon the end of the contracted period. Within one year after the UPPC system installation, if both the Weldtech Group and buyer conclude that the system does not perform satisfactorily, the Weldtech Group has to restore the whole system back to original.
6) Automobile conglomerates	Partial Buyout & Energy Management Contract	5	14,000	Expected completion by end of June 2011	Year 1-5: 30/70	The Weldtech Group has to provide all the equipments and materials for the system. Weldtech Grouo is responsible to bear all extra cost including extra equipments, materials, spare parts whichever is needed to satisfy the contracted function and bring the UPPC system to a workable condition.
7) Hotel	Energy Management Contract	5	1,500	Expected completion by end of July 2011	Year 1-2: 90/10; Year 3-5: 60/40	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group on a monthly basis for 5 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract. During the contracted period, the ownership of UPPC system belongs to the Weldtech Group and the ownership will pass over to the buyer upon the end of the contracted period. Within one year after the UPPC system installation, if both the Weldtech Group and buyer conclude that the system does not perform satisfactorily, the Weldtech Group has to restore the whole system back to original.

Business Type of Customers	Contract Type	Contract Years	Revenue Size (RMB'000)	Project status	Profit sharing ratio (%) (Weldtech/Buyer)	Major Terms and Conditions
8) Hotel	Energy Management Contract	5	1,500	Expected completion by end of July 2011	Year 1-2: 90/10; Year 3-5: 60/40	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group on a monthly basis for 5 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract. During the contracted period, the ownership of UPPC system belongs to the Weldtech Group and the ownership will pass over to the buyer upon the end of the contracted period. Within one year after the UPPC system installation, if both the Weldtech Group and buyer conclude that the system does not perform satisfactorily, the Weldtech Group has to restore the whole system back to original.
9) Automobile conglomerates	Buyout	N/A	9,360	Expected completion by end of July 2011	N/A	The Weldtech Group has to provide all the equipments and materials for the system. Weldtech Group is responsible to bear all extra cost including extra equipments, materials, spare parts whichever is needed to satisfy the contracted function and bring the UPPC system to a workable condition.
10) Household appliances manufacturer	Energy Management Contract	6	1,500	Expected completion by end of June	Year 1-3: 80/20 Year 3-6: 50/50	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group on a monthly basis for 6 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract. During the contracted period, the ownership of UPPC system belongs to the Weldtech Group and the ownership will pass over to the buyer upon the end of the contracted period. Within one year after the UPPC system installation, if both the Weldtech Group and buyer conclude that the system does not perform satisfactorily, the Weldtech Group has to restore the whole system back to original.

Customers with MOU signed

Business Type of Customers	Contract Type	Contract Years	Revenue Size (RMB'000)	Project status	Profit sharing ratio (Weldtech/Buyer)	Major Terms and Conditions
1) Energy company	Energy Management Contract	5	N/A	Contract under negotiation	Under negotiation	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group for 5 years for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract.
2) Real estate developer	Energy Management Contract	Under negotiation	N/A	Contract under negotiation	Under negotiation	Weldtech Group is responsible to install and test the UPPC system for the buyer. The buyer will pay Weldtech Group for the electricity cost saving based on the percentage spilt stated on the Energy Management Contract.

As shown above, three new projects have been completed for the financial year ended 31 March 2011. It is expected that about 75 new projects will be completed for the financial year ending 31 March 2012, of which: (i) seven new projects had legally-binding contracts signed as at the Latest Practicable Date as shown above and (ii) two potential new projects had MOU signed as at the Latest Practicable Date as shown above.

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

For the first several years after Completion, the Weldtech Group will focus on expanding its operation in first tier cities such as Beijing and Shanghai where population and energy consumption level of commercial and industry buildings are relatively higher than those in the second and third tier cities. In terms of geographical location, currently six of the existing projects are undertaken in

Shanghai, two projects in Wuxi and one project in Beijing. The management of the Weldtech Group expects that in 2021, about 29%, 27%, 16%, 11% and 17%, of the total revenues will be generated from Eastern PRC, Southern PRC, Northern PRC, Western PRC and Overseas markets, respectively.

For purposes of this circular:

Eastern PRC includes Shanghai, Zhejiang, Jiangsu, Shandong, and Anhui Province;

Southern PRC includes Guangdong, Fujian, Jiangxi, Hunan, and Hainan Province;

Northern PRC includes Beijing, Tianjin, Henan, Hebei, Liaoning, and Inner Mongolia Province;

Western PRC includes Sichuan, Chongqing, Hubei, Yunnan, and Guizhou Province; and

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

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

According to the development plan of Weldtech Group, it aims at increasing the market share of the UPPC system and becoming a market leader of energy saving industry in PRC by a four-stage development from 2012 to 2021:

Stage 1 (FY 2012): Number of new projects to be completed and the corresponding total revenue are 75 and RMB230 million, respectively. Overseas market accounts for approximately 3% of the total revenues. Expected working capital for RMB167 million will be incurred by the end of stage 1.

Stage 2 (FY 2015): Number of new projects to be completed and the corresponding total revenue are 500 and RMB1,672 million, respectively. Overseas market accounts for approximately 13% of the total revenues. Expected working capital for RMB1,017 million will be incurred by the end of stage 2.

Stage 3 (FY 2018): Number of new projects to be completed and the corresponding total revenue are 880 and RMB3,159 million, respectively. Overseas market accounts for approximately 14% of the total revenues. Expected working capital for RMB2,075 million will be incurred by the end of stage 3.

Stage 4 (FY 2021): Number of new projects to be completed and the corresponding total revenue are 950 and RMB3,624 million, respectively. Overseas market accounts for approximately 17% of the total revenues. Expected working capital for RMB2,347 million will be incurred by the end of stage 4.

The working capital requirement for the four-stage development plan shall be funded by internal resources, such as recurring cashflow from the new and existing projects, bank borrowings, the Placing to be conducted and other feasible ways of financing. The Company will comply with all relevant Listing Rules in this regard and further details will be announced by the Company as and when appropriate in accordance with the Listing Rules.

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

	2012	**2015**	**2018**	**2021**	**CAGR**
Sales personnel	11	55	80	84	25%
Engineers	25	78	114	122	19%

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

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

Capital requirement

Based on the estimates of the Vendors, the total capital requirements of the Weldtech Group for the year ending 31 March 2011 and 31 March 2012 will amount to over HK$230 million, which includes the capital expenditure involved in setting up the regional sales offices as well as general working capital to deliver the existing projects and to increase the future sales pipeline. The Group plans to finance the above capital requirements partly with the proceeds from the Placing and partly with the internally generated cashflow. In this regard, the Directors note that the total net proceeds from the Placing less the Cash Consideration cover substantial part of the expected capital requirements for the year ending 2011 and 2012.

The Group will also consider other sources of funding such as equity capital raising or external borrowings where appropriate. It is however premature at this stage for the Group to decide on a definite financing plan for the capital requirements of the Weldtech Group, as the need for additional capital will depend on a number of factors such as the financial position of the Group, the performance of the Weldtech Group after Completion, and market circumstances. In the event that any equity capital raising or external borrowings are required, the Directors will exercise due and careful consideration to formulate a financing plan that will best serve the Company, taking into account the effects on the

Company's gearing ratio and finance costs as well as dilution to Shareholders. The Directors may also consider scaling down the expansion plan of the Weldtech Group in the event insufficient working capital or equity or bank financing is available to the Weldtech Group.

Sales and marketing

As at the Latest Practicable Date, the Weldtech Group's sales and marketing team consisted of six staff members who are responsible for the promotion of the Weldtech Group and the UPPC system via marketing activities such as collaborations with government authorities, participating in energy-saving forums and delivering periodic seminars to public and corporations. The Weldtech Group currently focuses its marketing strategy on expanding its market share in the PRC and expects the number of sales personnel in PRC sales offices will increase to 36 qualified sales engineers and project managers by the end of 2012. In the future, the Weldtech Group plans to further expand its business in the PRC and other overseas markets through distributors. As at the Latest Practicable Date, the Weldtech Group had entered into two distributorship agreements with two distributors. Based on the distributorship agreement, the distributors will report to the Weldtech Group about their sales pipeline or potential customers on a monthly basis.

The Weldtech Group will continue to increase the headcount of its sales team and set up three sales offices in Beijing, Guangzhou and Wuhan, corresponding to the future business growth.

Research and development

As at the Latest Practicable Date, the Weldtech Group has a research and development team consisted of six engineers, two of whom had completed tertiary educations and an average of four years of experience in the industry. The research and development team is responsible for the research of latest energy-saving technologies on optimising air-conditioning system and development of the best solution and application of the UPPC system for the customers. Upon Completion, the Weldtech Group will continue to improve the efficiency of the existing UPPC system and to develop the new mathematical algorithm for the new generation UPPC system and broaden the scope of other building energy-saving solutions. The Weldtech Group 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 the Wuhan government for urban lighting management of the city.

The Weldtech Group expects to allocate approximately 2–3% of its total revenue annually for its research and development.

The Weldtech Group plans to recruit three research and development personnel to enhance its research and development ability and increase the headcount to nine by the end of 2012.

Financial prospects

Based on the financial projections (the "Projections") of the Weldtech Group prepared by the management of the Weldtech Group and reviewed by Grant Sherman Appraisal Limited, whose business valuation report of the Weldtech Group is set out in Appendix VI of this circular, the forecasted consolidated net profit of the Weldtech Group for each of the two years ending 31 March 2013 are approximately RMB77.3 million and RMB165.2 million, respectively. The Projections are prepared by the management of the Weldtech Group on the basis of fair market value which is developed through the application of the income approach technique known as the discounted cash flow method, for a period of ten years ending 31 March 2021 based on the following principal assumptions which are reviewed by and agreed with Grant Sherman Appraisal Limited:

1. There will be no major changes in the existing political, legal, fiscal and economic conditions in the country in which the Weldtech Group carries on its business;

2. There will be no major changes in the current taxation laws in Hong Kong and the PRC that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

3. Exchange rates, inflation rates and interest rates will not differ materially from those presently prevailing;

4. The availability of finance for working capital requirement will not be a constraint for the project rollout and future expansion of the Weldtech Group's operations;

5. The Weldtech Group will successfully maintain its competitiveness and market share through expanding its customer base in target markets;

6. Industry trends and market conditions for related industries will not deviate significantly from economic forecasts;

7. Energy saving efficiency for each type of projects remains constant throughout the Projection Period; and

8. The technology to be utilized by the Weldtech Group in implementing its business model will be viable and successfully deployed.

In practice, the discounted cash flow approach consists of estimating future annual cash flows and individually discounting them to present value.

FINANCIAL EFFECTS OF THE ACQUISITION

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

Earnings

For the year ended 31 December 2010, the loss before income tax expense and loss attributable to owners of the Company were approximately HK$35.4 million and HK$33.7 million respectively. As set out in Appendix IV of this circular, assuming 1 January 2010 was the date of the Completion, the unaudited pro forma loss before income tax expense of the Enlarged Group for the year ended 31 December 2010 would have been approximately HK$313.8 million and loss attributable to owners of the Company for the year ended 31 December 2010 would have been approximately HK$289.5 million.

Assets and liabilities

As shown in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV of this circular, the respective pro forma total assets and pro forma total liabilities of the Enlarged Group following the Acquisition would have amounted to approximately HK$4,084.7 million and approximately HK$901.6 million as compared to the respective total assets and total liabilities of the Group amounting to approximately HK$397.1 million and approximately HK$2.8 million as at 31 December 2010 before the Acquisition, representing an increase of HK$3,687.6 million in total assets and HK$898.8 million in total liabilities.

The Directors have reviewed the carrying value of goodwill of the Enlarged Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("HKAS 36"), taking into account the independent valuation report, prepared by Grant Sherman Appraisal Limited, an independent professional valuer. Based on the valuation report, the Directors are of the opinion that there are no indications that the value of the goodwill of the Enlarged Group may be impaired in respect of the intangible assets and goodwill with an assumed fair value of approximately HK$393,319,000 and HK$2,726,006,000 respectively, as shown in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2010.

The Directors will carry out impairment review of the goodwill of the Enlarged Group with reference to an independent valuation report, which will be prepared under the same principal assumptions and valuation method in the future financial statements. The principal assumptions applied by the Directors represent the assumptions of the Projections disclosed in the Business Valuation Report as set out in Appendix VI of this circular and in the paragraph headed "Financial prospects" above.

It is the responsibility solely of the Directors to ensure that the Company is adopting and will continue to adopt consistent accounting policies and ensure that the principal assumption of the valuation for assessment of the impairment of the Enlarged Group's intangible assets and goodwill are consistent for future annual audit of the Group.

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

THE INITIAL REFERRAL AGREEMENT

Date

17 December 2010

Parties

1. The Purchaser; and

2. Referral Agent

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Referral Agent and its ultimate beneficial owner are (i) third parties independent of and not connected with the Company and its connected persons and is not acting in concert with nor presumed to be acting in concert with any of them and (ii) third parties independent of and not connected with the Vendors.

The Referral Agent is principally engaged in investment holding and the provision of consultancy services. The Referral Agent had no previous transaction with the Company.

Referral Services

Pursuant to the Referral Agreement, the Referral Agent has agreed to search for acquisition targets in the PRC for the Company. The Referral Agent will also assist the Company in negotiation with the potential vendors of the acquisition targets and the compliance of relevant procedures and regulations in the PRC.

Referral fee

In consideration of the above referral services, the Purchaser has agreed to pay a fee at the rate of 5% of the Consideration (being HK$2,800,000,000), amounting to HK$140,000,000. The amount of referral fee was determined under arm's length negotiations between the Referral Agent and the Purchaser. In view of the business opportunity and growth prospects of the business of the Weldtech Group, the parties to the Referral Agreement, after arm's length negotiations, have mutually arrived at the referral fee.

The Directors considered the terms of the Referral Agreement are fair and reasonable as the aggregate value of the Consideration and the referral fee represent approximately 8% discount to the valuation of the Weldtech Group, and considered the benefits of the Acquisition to the Group outweight the costs associated with such Acquisition in view of the business opportunity and growth prospects of the Weldtech Group.

THE FIRST SUPPLEMENTAL AND THE SECOND SUPPLEMENTAL SUPPLEMENTING AND AMENDING THE INITIAL REFERRAL AGREEMENT

The First Supplemental

Date: 19 April 2011

Parties: Referral Agent and the Purchaser

Principal terms of the First Supplemental

Pursuant to the First Supplemental, the parties have agreed that the referral fee at the rate of 5% of the Consideration (equivalent to HK$140,000,000) shall be payable by the Company to the Referral Agent upon Completion.

Save for the amendments as set out in the First Supplemental, the Referral Agreement (as supplemented) shall in all respects remain and continue in full force and effect.

The Second Supplemental

Date: 28 April 2011

Parties: Referral Agent and the Purchaser

Principal terms of the Second Supplemental

Pursuant to the Second Supplemental, the parties have agreed that the referral at the rate of 5% of the Consideration (equivalent to HK$140,000,000) shall be payable by the Company to the Referral Agent upon Completion. Further, for any reasons the Acquisition cannot be completed, the Purchaser is under no obligation to pay any referral fee to the Referral Agent.

Save for the amendments as set out in the First Supplemental and the Second Supplemental, the Initial Referral Agreement (as supplemented) shall in all respects remain and continue in full force and effect.

Reasons for the Referral Agreement, the First Supplemental and the Second Supplemental

The Directors considered that the terms of the Referral Agreement, the First Supplemental and the Second Supplemental are beneficial to the Company and its Shareholders as the aggregate value of the Consideration and the referral commission represents approximately 8% discount to the business valuation of the entire equity interest of Weldtech Group, and the benefits of the Acquisition to the Group outweight the costs associated with such acquisition in view of the business opportunity and growth prospects of the Weldtech Group. The Company currently intends to fund the payments of the referral fee by proceeds from the Placing.

In light of the reasons and benefits of the Acquisition and to capture such business opportunity, the Purchaser has entered into the Referral Agreement, the First Supplemental and the Second Supplemental with the Referral Agent. As the Referral Agreement was entered into on 17 December 2010 in connection with the Sale and Purchase Agreement and that the payment terms as described above have only recently been finalized by way of the First Supplemental and the Second Supplemental in April 2011, the Directors are of the view that the Referral Agreement and the amendment of the payment terms as set out in the First Supplemental and Second Supplemental is fair and reasonable and in the interests of the Company and the shareholders taken as a whole. The Directors considered that its Shareholders should be provided with more details on the Referral Agreement, the First Supplemental and the Second Supplemental in addition to the disclosure made under note 35 *(Events after the Reporting Period)* to its audited financial statements for the year ended 31 December 2010 in its annual report 2010 published on 23 March 2011.

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.

EGM

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules which requires the approval of the Shareholders by way of poll at the EGM. As no Shareholder has a material interest in the Acquisition which is different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution approving the Sale and Purchase Agreement, the Referral Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares and Conversion Shares together with the creation and issue of the Convertible Notes), as well as the increase in authorised share capital of the Company and the transactions contemplated thereunder at the EGM.

The EGM will be held at Falcon Room 1, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on 24 June 2011 for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement, the Referral Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares and Conversion Shares together with the creation and issue of the Convertible Notes), as well as the increase in authorised share capital of the Company. The notice convening the EGM is set out on pages 7 to 53 of this circular. A form of proxy for use at the EGM is also enclosed to this circular.

Whether or not you are able to attend the EGM and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar and transfer office of the Company, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Directors consider that the terms of the Sale and Purchase Agreement, the Referral Agreement and the transactions contemplated thereunder are fair and reasonable and the Acquisition is in the interests of the Group and the Shareholders as a whole. The Directors are also of the view that the increase in the authorised share capital of the Company are beneficial to the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement, the Referral Agreement and the transactions contemplated thereunder, as well as the increase in the authorised share capital of the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the Appendices of this circular, including the Business Valuation Report, the reports on profit forecast prepared by Piper Jaffray Asia Limited and HLB Hodgson Impey Cheng, and the Technical Report set out in the Appendices VI to VIII of this circular.

Yours faithfully,
For and on behalf of the Board
The Hong Kong Building and Loan Agency Limited
Au Tin Fung
Executive Director

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

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

INTRODUCTION

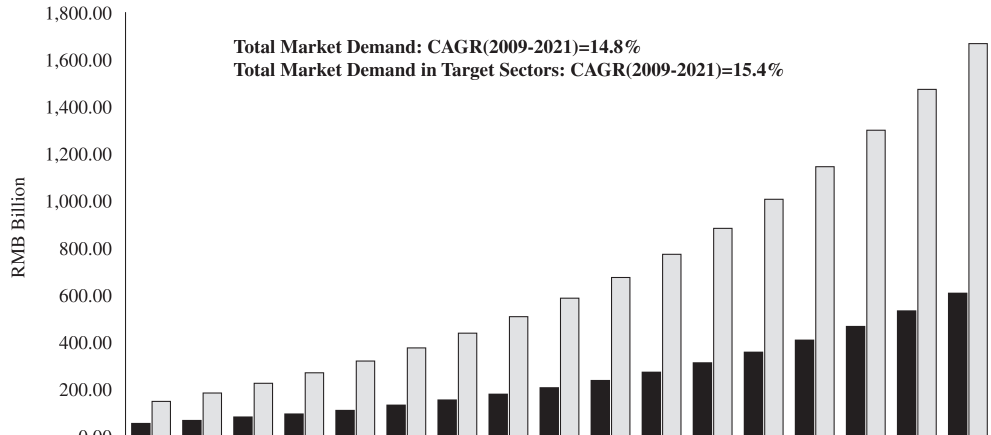
Weldtech Technology is a company incorporated in Hong Kong and its principal asset is its entire equity interest in the WFOE. According to the Vendors, the WFOE provides energy monitoring and energy-saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban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

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

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

According to the Frost & Sullivan report, it is estimated that the market demand for energy-saving solutions are tremendous in the PRC. Total market demand in 2009 was RMB318.0 billion, which is expected to sustain a growth rate of around 14.8% from 2009 to 2021. This can be attributed to the PRC government policies and increasing energy-saving awareness and sustainable development motivation which are positive drivers for energy-saving market development. As such, a wide range of businesses are beginning to deploy energy-saving solutions to address a broad spectrum of environmental issues.

Chinese Chiller Plant EMC Market: Market Demand, 2005–2021E



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
■ Market Demand in Target Sectors	53.0	65.7	80.4	93.2	108.4	130.8	152.7	177.3	204.7	235.5	270.7	310.6	355.7	406.9	465.0	531.1	606.2
□ Total Market Demand	146.6	182.2	223.5	268.1	318.0	373.8	436.4	506.5	585.0	672.9	771.4	881.6	1,005.1	1,143.5	1,298.4	1,471.9	1,666.3
Newly-built Chiller Plant (Million RT)	10.6	11.9	13.8	14.8	16.6	18.6	20.9	23.4	26.2	29.3	32.8	36.8	41.2	46.1	51.6	57.8	64.8

Source: Frost & Sullivan

According to the Frost & Sullivan report, in the PRC, energy consumed by buildings accounts for nearly 27.0% of total energy consumption in 2009, and more than 80% of constructed buildings has not been optimised in chiller plant equipments, which can be classified as highly power-consuming. It is estimated that cumulative chiller plant was nearly 106.0 million in terms of refrigeration tonne by the end of 2009, the number is anticipated to grow by no less than 12.0% in compound annual growth rate ("**CAGR**") in the next 10 years. 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 such growth expectation can be attributed to the following four sections, namely, (i) political; (ii) economic; (iii) technological; and (iv) social aspects.

(i) The political aspect

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

(1) the "*Medium and Long Term Special Plan of Energy Conservation*" released by the National Council in 2007 has pointed out that the 10 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 the National Development and Reform Commission of the PRC ("**NDRC**") and the Ministry of Finance of the PRC. This policy explicitly sets out the incentive of providing subsidies and tax exemption to "energy service companies" ("**ESCOs**"); and

(3) energy-saving goal in the Communist Party of China Central Committee's Proposal for Formulating the 12th Five-Year Plan for China's Economic and Social Development (2011–2015) ("**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 in the PRC.

(ii) The economic aspect

The expected growth can be attributable to the following factors:

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

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

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

(iii) The technological aspect

The expected growth can be attributable to the following factors:

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

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

(iv) The social aspect

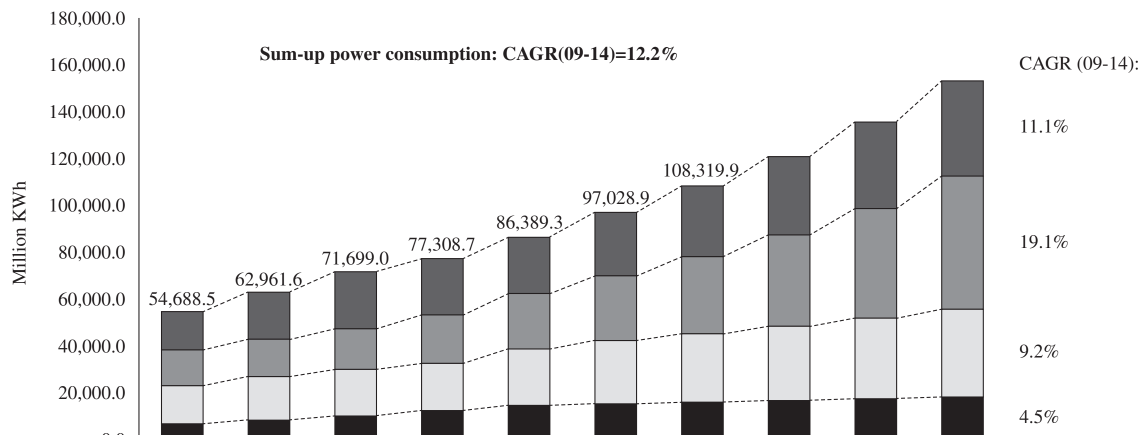
The expected growth can be attributable to the following factors:

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

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

Driven by fast-growing target industries (office building, automotive manufacturing, pharmaceutical and semiconductor) and despite hiking electricity prices, total electricity consumption in these sectors is expected to maintain a compound annual growth rate of 12.2% in the next five years, increasing from 86,389.3 million kwh to 153,144.1 million kwh.

Electricity Consumption in Target Sectors, Office Building, Automobile, Pharmaceutical, and Semiconductor, 2005–2014E



	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
Semiconductor	16,355.5	20,078.0	24,354.5	24,041.3	23,982.3	27,076.2	30,197.2	33,435.8	36,919.6	40,632.6
Pharmaceutical	15,285.0	15,944.0	17,332.0	20,688.5	23,679.4	27,627.5	32,906.0	38,976.3	46,767.4	56,837.4
Automobile	16,284.0	18,640.0	19,889.1	20,157.9	24,095.6	27,034.8	29,238.2	31,722.5	34,434.9	37,440.0
Office Building*	6,764.0	8,299.6	10,123.5	12,421.1	14,632.0	15,290.4	15,978.5	16,697.5	17,448.9	18,234.1

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

Source: NBS and Frost & Sullivan

Viewing globally, the PRC ranks higher than the United States of America, Japan, Germany, and India in terms of energy consumption per US$1,000 GDP, which means the PRC market embraces tremendous opportunities and development prospects for energy saving solutions. Based on World Bank statistics, in 2007, the PRC consumed 283.3 kg of oil equivalent of energy per US$1,000 GDP as compared to India: 196.2 kg, the United States of America: 177.4 kg, Japan: 126.9 kg and Germany: 121.2 kg of oil equivalent of energy per US$1,000 GDP.

Factoring the PRC population's urbanization process of migrating from rural areas to metropolises and increased GDP per capita, the growth potential of the PRC market is evident and is expected to maintain a sustainable rise in the 12th five-year period (2011–2015).

DEVELOPMENT AND PROSPECT

The following industry sectors are expected to and experiencing high growth in light of energy saving and management focus in the 12th Five-Year Plan. Market demand in sectors of office building, automotive manufacture, pharmaceutical and semiconductor were RMB108.4 billion in total, and is expected to reach RMB606.2 billion by 2021, at a CAGR of 15.4%. Although under strong government promotion and positive market environment, over 80% of constructed buildings have not been optimized in chiller plant equipments, which still embrace large market potential for chiller plant EMC solutions. In addition, from economic, technological and social aspects, there are positive factors that contribute to the growth expectation in the following key selected industry sectors:

Office building sector

Driven by booming office building investment in the PRC, building energy saving policies, and amendatory electricity pricing, market demand in this sector in 2009 was RMB29.5 billion, which is expected to keep a CAGR of 16.2% in the next 10 years.

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

Automobile manufacturing sector

Market demand in this sector in 2009 was RMB9.8 billion, and is expected to grow with a CAGR of 10.2% in next 10 years, driven by huge automobile demand, production capacity expansion, and tightening energy saving criteria.

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

Pharmaceutical sector

Enhanced by growing pharmaceutical demand, higher requirement on process cleanliness, and product quality, market demand in this sector in 2009 was RMB23.7 billion, and is expected to grow with a CAGR of 20.5% in next 10 years.

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

Semiconductor sector

Market demand in this sector in 2009 was RMB45.5 billion, and is expected to grow with a CAGR of 11.9% in next 10 years, driven by high manufacture process requirement for air quality and higher energy consumption of central air conditioner.

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

Hotel and shopping mall sector

The number of five-star hotels in the PRC is experiencing a high growth rate through the past years. By the end of 2009, the number of five-star hotel soared to 506 out of 14,237 total star hotels. The number of large shopping malls with annual turnover of above RMB120 million and with an area larger than 9,000 square meters expands to a number of more than 3,500 units by the end of 2009. These market sectors are anticipated keep stable growth due to the PRC booming consumer demand and tourism market prospect.

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

MARKET PLAYERS/COMPETITION

Based on the research findings from the Frost and Sullivan report, which is a third party independent of the Company, a number of players (both domestic and international) are competing in the PRC chiller plant EMC market with various technologies, among which is the integrated retrofit solution which can optimise all the equipments operations by leveraging state-of-art hardware and software efficiently, and is expected to evolve as total energy saving solution for chiller plant.

Companies	Retrofit objective	Technical principle
WELDTECH	Fixed/variable frequency centrifugal/screws chiller, and variable frequency chiller pump	Integrated optimise operation of all the equipments in the chiller plant based on the optimisation algorithm
Guiyang Huiton Huacheng Building Science & Technology Co., Ltd., is a member of the South Huiton Co., Ltd. (南方匯通股份有限公司) listed in the Shenzhen Stock Exchange (stock code: 920) principally engaged in the development and production of variable flow energy-saving controlling system.	Chiller pump	Manually control chiller pump by variable frequency manner
The building efficiency business of Johnson Controls, a company listed on the New York Stock Exchange under the ticker symbol: JCI), is a leading provider of equipment, controls and services for heating, ventilating, air-conditioning, refrigeration and security systems.	Chiller, chiller pump, and cooling tower	Control equipments in chiller plant in close-loop manner, without integrated optimisation

Companies	Retrofit objective	Technical principle
Trane, a business of Ingersoll Rand — the world leader in creating and sustaining safe, comfortable and energy efficient environments — improves the performance of homes and buildings around the world. Trane solutions optimise indoor environments with a broad portfolio of energy efficient heating, ventilating and air conditioning systems, building and contracting services, parts support and advanced controls for homes and commercial buildings.		
Carrier Corporation is a leader in providing heating, ventilation, air-conditioning and refrigeration (HVACR) systems, controls, services and sustainable building solutions for residential, commercial, industrial, food service and transportation applications. It is a subsidiary of United Technologies Corporation, listed on the New York Stock Exchange under the ticker symbol UTX.		
The energy solutions arm of Honeywell International Inc., a Fortune 100 company listed on the New York Stock Exchange under the ticker symbol: HON.		

Companies	Retrofit objective	Technical principle
The energy sector of Siemens AG.		
The energy management solutions business of Armstrong International Inc.	Variable frequency chiller, chiller pump, and cooling tower	Control equipments in chiller plant based on technology of Hartman Loop, without integrated optimization

Generally, energy saving is an emerging industry in China. In the 11th five year, 2006–2010, number of energy service companies has grown 5–8 times, a lot of which have business in building energy saving. However, this market is so fragmented due to immaturity of most domestic players and the tremendous energy saving potential in China.

COMPLEMENTARY TO OPPORTUNITIES AND CHALLENGES

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

(1) Energy saving potential

Due to the rapidly growing energy saving industry in China and government's promotion, energy efficiency in China is catching up with developed countries. Energy saving potential may shrink in the long term future, which will lead to less profit margin or longer payback period of EMC business.

(2) Customer credit and payment capacity

Customers with less credit may search for excuses to delay or refuse payment to EMCos. This is not rare in China. Bad performance of customer companies may affect their payment capacity. If even happens that EMCo fail to get all payment due to customer bankruptcy during the EMC contract period.

(3) Product quality

Product with deficit may terribly impact customer's daily operation, which will confront heavy penalty in an EMC contract. EMC players must pay close attention to keep their product quality at a high level.

ENTRY/EXIT BARRIERS

According to the Frost & Sullivan report, the entry barriers for Chinese chiller plant EMC market are as follows:

Capital

Chiller plant solution players need large sum of funds to support the sustainability of its EMC business model, since players pay for optimization equipment in advance.

Government Regulation

A government regulation may make competition illegal and establish a statutory monopoly. Requirements for licenses and permits may raise the investment needed to enter a market, creating an effective barrier to entry.

Customer Loyalty

Customer loyalty may help establish trust and favorable cooperation between chiller plant EMC players and customers, which help EMC players need to have in-depth understanding of equipment operation status.

Research and Development

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

FUTURE OPPORTUNITIES AND CHALLENGES

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

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

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

Despite these top-down efforts, concerns remain for the PRC's rapid development which threatens efforts to reduce energy intensity and challenges energy efficiency. According to the official progress report on the previous five-year budget plan, released on 28 February 2011 by the PRC's National Bureau of Statistics, the country has reduced its energy intensity by 19.1% from 2005 levels, close to the 20% target set five years ago. Total energy consumption, however, continues to rise.

Based on the above-mentioned statistics and forecasts, the management of the Weldtech Group believes that demand, in particular for the PRC will continue to face good long-term growth prospects and that there is considerable potential for market development.

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

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

Pursuant to the Decision on Enhancement of Energy Saving Work (國務院關於加強節能工作的決定) (Guo Fa (2006) No.28) which was promulgated by the State Council and took effect on 8 August 2006, the State encourages the cultivating of energy saving service system. The relevant governmental departments shall speed up the research and promulgation of a guidance of establishing energy saving service system, and encourage various energy saving technology service organizations to change managing system, innovate methods, broaden fields, improve service ability and enhance service level. The contract energy management shall be accelerated to carry out and the energy saving technology of enterprises shall be promoted.

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

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

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

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

(II) OTHER RELEVANT LAWS AND REGULATIONS

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

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

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

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

Shareholders should consider carefully all of the information set out in this circular and, in particular, the following risks factors associated with the Enlarged Group as well as the other information including Weldtech Group's consolidated financial statements and accompanying notes and the unaudited pro forma financial information of the Enlarged Group set forth in Appendices II and V respectively before making a voting decision at the EGM. If any of the possible events described below occur, the business, financial condition or results of operations of the Enlarged Group could be materially and adversely affected and the market price of the Shares could fall significantly.

The Directors have identified the following risks associated with the investment in and the business of the Weldtech Group

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 seven 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 in its report, 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 six 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 recognised. 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 relies on the sub-contractors and OEM for the installation and production of most of the UPPC system and any material disruption from the sub-contractors and OEM would materially and adversely affect our results of operations

The Enlarged Group's business relies on the stable performance and contribution of the sub-contractors and OEM. Should the sub-contractors and OEM fail to carry out their duties properly or fail to supply products to the Enlarged Group on time, it would severely affect the Enlarged Group's ability to deliver the UPPC system. There is no assurance that the Enlarged Group will not face material disruptions with the sub-contractors and OEM in the future. In the event of such disruptions, the Enlarged Group may not be able to find suitable alternatives on a timely basis which may materially and adversely affect the Enlarged Group's results of operations.

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 PRC-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 addition restrictions on currency conversion, and the imposition of additional import restrictions. Furthermore, a significant portion of the economic activity in the PRC is export-driven and, therefore, is affected by development in the economies of the PRC's principal trading partners and other export driven economies.

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

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

Such uncertainties could limit the legal protections available to the Group.

Risks relating to this circular

Forward-looking statements included in this circular may not be accurate

This circular contains certain forward-looking statements and information relating to Weldtech Group which is based on the beliefs of the management of Weldtech Group and the Vendors as well as assumptions made by and information currently available to them. When used in this circular, the words "anticipate", "estimate", "could", "expect", "going forward", "intend", "may", "should", "plan", "will", "would", "believe" or other similar words. These statements reflect the current expectations of the Weldtech Group. These statements are subject to a number of risks and uncertainties, including but not limited to, changes in the economic and political environments. In light of the inherent risks and uncertainties, there can be no assurance that the forward-looking statements described in this document will materialise.

Subject to the requirements of the Listing Rules, the directors of Weldtech Group do not intend to publicly update or otherwise revise the forward-looking statements in this circular, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this circular might not occur in the way the directors of Weldtech Group expect, or at all. Accordingly, Shareholders should not place undue reliance on any forward-looking information. All forward-looking statements in this circular are qualified by reference to this cautionary statement.

Reliability of certain statistics and information relating to the economy and the industry

Statistics, industry data and other information relating to the economy and the industry contained in this circular have been derived from various official government publications with information provided by different government agencies. Although the Board believes that the sources of the information and statistics are appropriate sources for such information and statistics and has taken reasonable care in extracting and reproducing such information and statistics, and has no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading, no guarantee can be made as to the accuracy or completeness of such information and statistics. None of the Company, or their respective directors, agents or advisors have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Statistics, industry data and other information relating to the economy and the industry derived from official government sources may not be consistent with other information available from other sources and should not be unduly relied upon. Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, the statistics, industry data and other information relating to the economy and the industry derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources. Careful consideration should be given as to how much weight or importance should be attached or placed on such statistics, projected industry data and other information relating to the economy and the industry.

FINANCIAL SUMMARY

Set out below is a summary of the financial information of the Group for the three years ended 31 December 2010 as extracted from the relevant annual reports and interim report of the Company.

Results

	For the year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER	18,850	3,845	7,553
(LOSS)/PROFIT BEFORE TAXATION	(35,395)	3,423	(1,380)
TAXATION	1,668	(39)	(85)
(LOSS)/PROFIT FOR THE YEAR	(33,727)	3,384	(1,465)
(Loss)/profit for the year attributable to:			
Equity holders of the Company	(33,727)	3,384	(1,465)
Minority interests	—	—	—
	(33,727)	3,384	(1,465)

Assets and Liabilities

	As 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
TOTAL ASSETS	397,128	232,436	230,364
TOTAL LIABILITIES	(2,771)	(1,347)	(1,784)
SHAREHOLDERS' FUNDS	394,357	231,089	228,580

Set out below are the audited financial statements of the Group as extracted from page 35 to page 85 of the annual report of the Company for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	**2009** *HK$'000*
Revenue	*5(a)*	18,850	3,845
Interest income		18,850	3,815
Fair value changes on financial assets at fair value through profit or loss			
— designated at fair value through profit or loss		—	12,614
— held for trading		(44,621)	(2,682)
Realised gain on available-for-sale investments		—	1,574
Dividend income		—	30
Other income	*5(b)*	1,644	98
Operating expenses		(11,197)	(12,026)
Interest expense on trading account		(624)	—
Gain on disposal of a subsidiary		553	—
(Loss) Profit before taxation	*7*	(35,395)	3,423
Taxation	*8*	1,668	(39)
(Loss) Profit for the year		(33,727)	3,384
Other comprehensive income (expense)			
Fair value change on available-for-sale investments		10,320	699
Deferred tax relating to fair value change on available-for-sale investments		(1,703)	—
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		—	(1,574)
Other comprehensive income (expense) for the year		8,617	(875)
Total comprehensive (expense) income for the year		(25,110)	2,509
(Loss) Profit for the year attributable to the equity holders of the Company		(33,727)	3,384
Total comprehensive (expense) income attributable to the owners of the Company		(25,110)	2,509
		HK cents	*HK cents* (restated)
(Loss)/Earnings per share			
Basic	*12*	(1.18)	0.12
Diluted		(1.18)	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Equipment	13	134	184
Mortgage loans	14	128,295	68,268
Loan receivables	18	64,000	—
Available-for-sale investments	17	16,680	—
		209,109	68,452
CURRENT ASSETS			
Mortgage loans	14	1,245	1,562
Financial assets at fair value through profit or loss	16	28,243	109,941
Loan receivables	18	60,000	10,000
Prepayments, deposits and other receivables		21,476	19,350
Tax recoverable		—	127
Bank balances	19	77,055	23,004
		188,019	163,984
CURRENT LIABILITIES			
Other payables and accruals		2,769	1,347
Tax payable		2	—
		2,771	1,347
NET CURRENT ASSETS		185,248	162,637
		394,357	231,089
CAPITAL AND RESERVES			
Share capital	20	399,470	225,000
Reserves		(5,113)	6,089
		394,357	231,089

STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Equipment	13	134	183
Mortgage loans	14	16	84
Amounts due from subsidiaries	27	191,000	65,000
Investments in subsidiaries	26	152	152
		191,302	65,419
CURRENT ASSETS			
Mortgage loans	14	62	59
Financial assets at fair value through profit or loss	16	—	45,520
Amounts due from subsidiaries	27	116,817	77,910
Loan receivables	18	—	10,000
Prepayments, deposits and other receivables		15,399	18,739
Bank balances	19	72,972	20,574
		205,250	172,802
CURRENT LIABILITIES			
Other payables and accruals		2,741	1,289
Amount due to a subsidiary	28	113	—
		2,854	1,289
NET CURRENT ASSETS		202,396	171,513
		393,698	236,932
CAPITAL AND RESERVES			
Share capital	20	399,470	225,000
Reserves	23	(5,772)	11,932
		393,698	236,932

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital	Share premium	Convertible bonds	Convertible bond options	Warrants	Investments revaluation reserve	(Accumulated loss)/ Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	225,000	—	—	—	—	875	2,705	228,580
Fair value changes of available-for-sale investments	—	—	—	—	—	699	—	699
Transfer to profit or loss on disposal of available for sale investments	—	—	—	—	—	(1,574)	—	(1,574)
Profit for the year	—	—	—	—	—	—	3,384	3,384
Total comprehensive income for the year	—	—	—	—	—	(875)	3,384	2,509
At 1 January 2010	225,000	—	—	—	—	—	6,089	231,089
Loss for the year	—	—	—	—	—	—	(33,727)	(33,727)
Fair value changes of available-for-sale investments	—	—	—	—	—	10,320	—	10,320
Deferred tax relating to fair value change to on available-for-sale investments	—	—	—	—	—	(1,703)	—	(1,703)
Total comprehensive income for the year	—	—	—	—	—	8,617	(33,727)	(25,110)
Issue of ordinary shares and options for convertible bonds *(note 20b)*	56,250	—	—	51,763	—	—	(51,763)	56,250
Issue of convertible bonds *(note 21)*	—	—	10,277	(5,498)	—	—	—	4,779
Issue of shares upon conversion of convertible bonds *(note 21)*	4,720	5,429	(10,149)	—	—	—	—	—
Issue of warrants *(note 22)*	—	—	—	—	5,620	—	—	5,620
Issue of ordinary shares by placement *(note 20c)*	113,500	11,350	—	—	—	—	—	124,850
Transaction cost attributable to issue of shares	—	(3,121)	—	—	—	—	—	(3,121)
At 31 December 2010	399,470	13,658	128	46,265	5,620	8,617	(79,401)	394,357

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
(Loss) Profit before taxation		(35,395)	3,423
Adjustments for:			
Dividend income		—	(30)
Interest expenses		624	—
Depreciation		76	52
Share issuance expenses		2,420	—
Write back of impairment allowances on mortgage loans		(123)	(52)
Realised gain on available-for-sale investments		—	(1,574)
Gain on disposal of a subsidiary		(553)	—
Operating cash flows before movements in working capital		(32,951)	1,819
Increase in mortgage loans		(59,587)	(59,770)
Decrease (Increase) in financial assets at fair value through profit or loss		72,525	(69,685)
Increase in loan receivables		(114,000)	(10,000)
Decrease (Increase) in prepayments, deposits and other receivables		7,574	(1,050)
Increase (Decrease) in other payables and accruals		1,458	(352)
		(124,981)	(139,038)
Dividend received		—	30
Interest paid		(624)	—
Income tax refund (paid)		94	(251)
NET CASH FLOW USED IN OPERATING ACTIVITIES		(125,511)	(139,259)
CASH GENERATED FROM INVESTING ACTIVITIES			
Purchase of equipment		(26)	(122)
Purchase of available-for-sale investment		(6,360)	—
Principal repayment of available-for-sale investments		—	6,423
Net sale proceeds from disposal of available-for-sale investments		—	33,455
Net proceeds from disposal of a subsidiary	30	(10)	—
NET CASH FLOW (USED IN) FROM INVESTING ACTIVITIES		(6,396)	39,756

	Note	2010 HK$'000	2009 HK$'000
CASH GENERATED FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options for convertible bonds		56,250	—
Proceeds from issue of shares by placement		124,850	—
Proceeds from issue of convertible bonds		4,779	—
Proceeds from issue of warrants		5,620	—
Share issuance costs		(5,541)	—
NET CASH FLOW FROM FINANCING ACTIVITIES		185,958	—
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		54,051	(99,503)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		23,004	122,507
CASH AND CASH EQUIVALENTS AT 31 December represented by			
Bank balances		77,055	23,004

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL

The Company is a limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Room 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong. The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company. The principal activities of the Company and its subsidiaries are investment holding, treasury investments and the provision of loan financing and other related services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2010 financial year ends.

The application of the new and revised HKFRSs has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC)-INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and the directors are still in the progress of assessing the potential impact.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) interest income from a financial asset including financial assets at fair value through profit and loss and available-for-sale investments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable;

(ii) dealings in financial assets at fair value through profit or loss are recognised on a trade date basis when the relevant contract notes are exchanged;

(iii) dividend income from investments is recognised when the shareholder's rights to receive payment have been established; and

(iv) consulting service income is recognised when services are provided.

Equipment

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currency are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit and loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

The financial assets at FVTPL of the Group and the Company comprise financial assets held-for-trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including mortgage loans, loan receivables, amounts due from subsidiaries, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group classified its investments in certain listed equity securities as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial assets are disposed of or are determined to be impaired, at which time, the cumulative gains or losses previously accumulated in investment revaluation reserve are reclassified to profit or loss (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial assets because of financial difficulties.

For certain categories of financial assets, such as mortgage loans and loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and delayed payments record.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group' financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, representing other payables, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Options to subscribe for convertible bonds and convertible bonds

Options to subscribe for convertible bonds and the convertible bonds are classified as equity instruments based on the contractual terms of the options and convertible bonds. On initial recognition, the fair value of the options to subscribe for convertible bonds is determined using option pricing model and recognised in "convertible bond options" included in equity. When the options are exercised, the carrying amount of options to subscribe for convertible bonds in "convertible bond options" will be transferred to "convertible bonds" together with the consideration received. Where the options to subscribe for convertible bonds remained unexercised at the expiry date, the balance stated in "convertible bond options" will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the options to subscribe for convertible bonds.

When the conversion options of the convertible bonds are exercised, the balance in the "convertible bonds" will be transferred to the share capital and share premium.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

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

Operating leases

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

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group' accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Taxation

At 31 December 2010, a deferred tax asset of HK$1,703,000 (31 December 2009: nil) in relation to the unused tax loss of HK$10,320,000 (31 December 2009: nil) has been recognised in the Group's consolidated statement of financial position. No deferred tax assets have been recognised in the Group's and the Company's statements of financial position in relation to the remaining estimated unused tax losses of HK$62,676,000 and HK$32,190,000 (31 December 2009: HK$56,812,000 and HK$50,597,000) respectively due to unpredictability of future assessable profit streams. In cases where the actual future assessable profits generated are more than expected, deferred tax asset may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Impairment allowances on mortgage loans and loan receivables

The Group and the Company have established impairment allowances in respect of estimated incurred loss in mortgage loans and loan receivables. The allowances on mortgage loans are set out in note 15 to the financial statements.

In determining individual impairment allowances, management considers objective evidence of impairment. When a loan is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The quantum of the allowance is also impacted by the collateral value and this, in turn, may be discounted in certain circumstances to take into account the impact of forced sale or quick liquidation.

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio adjusted for current conditions.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at 31 December 2010, the details of mortgage loans and loan receivables are disclosed in notes 14 and 18 respectively.

5(a). REVENUE

Revenue represents interest income from loan financing and interest income and dividend income from treasury investments.

An analysis of the revenue of the Group by principal activity is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Loan financing:		
Interest on mortgage loans	13,784	1,579
Interest on loan receivables	4,968	115
Treasury investments:		
Interest on bank deposits	3	454
Interest on available-for-sale investments	—	1,422
Interest on held-for-trading investments	—	43
Interest on financial assets designated at fair value through profit or loss	95	202
Dividend income from held-for-trading investments		
Equity securities listed in Hong Kong	—	30
	18,850	3,845

5(b). OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Consultancy income	1,500	—
Management fee income	125	—
Other	19	98
	1,644	98

6. SEGMENT INFORMATION

For management purposes, the Group is currently organized into two operating divisions by nature of the business, namely, treasury investment and loan financing.

These divisions are the basis on which, the Board of Directors, being the chief operating decision maker, reviews the operating results and financial information.

The following is an analysis of the Group's revenue and results by operating segment:

	2010		
	Loan financing	**Treasury investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	18,752	98	18,850
Segment profit (loss)	18,578	(45,213)	(26,635)
Centralised administration costs			(10,813)
Other income			1,500
Gain on disposal of a subsidiary			553
Profit before taxation			(35,395)
Taxation			1,668
			(33,727)
Segment assets	263,341	117,895	381,236
Unallocated assets			15,892
Total assets			397,128
Other information:			
Interest income	18,752	98	18,850
Write back of impairment allowances on mortgage loans	123	—	123
Net exchange loss	—	(190)	(190)
Fair value changes on financial assets at fair value through profit or loss	—	(44,621)	(44,621)

	2009		
	Loan financing	Treasury investments	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,694	2,151	3,845
Segment profit	1,665	13,263	14,928
Central administration costs			(11,505)
Other income			—
Profit before taxation			3,423
Taxation			(39)
Profit for the year			(3,384)
Segment assets	82,506	149,036	231,542
Unallocated assets			894
Total assets			232,436
Other information:			
Interest income	1,694	2,121	3,815
Write back of impairment allowances on mortgage loans	52	—	52
Net exchange loss	—	(106)	(106)
Fair value changes on financial assets at fair value through profit or loss	—	9,932	9,932

During the current and prior year, there were no inter-segment transactions.

Segment profit represents the pre-tax profit earned by each segment without allocation of central administration costs such as director's emoluments, staff salaries, operating lease rentals and legal and professional fees. This is the measure reported to board of directors for the purposes of resource allocation and performance assessment.

Segment assets represents the assets allocated to reportable segments other than equipment, prepayments and tax recoverable.

There is no segment liability as at 31 December 2010 and 2009.

The Group's operations are based in Hong Kong and the Group's revenue is derived from customers and counterparties located in Hong Kong.

Information about major customers

Interest income from customers in loan financing business segment contributing over 10% of the total revenue of the Group are as follows:

	Year ended	
	31/12/2010	31/12/2009
	HK$'000	*HK$'000*
Customer A	11,618	—
Customer B	4,790	—

There were no customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2009.

7. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before taxation has been arrived at after charging (crediting):

	2010	2009
	HK$'000	*HK$'000*
Employee benefits expense (including Directors' emoluments): *(note 9)*		
Wages, salaries and bonus	3,718	4,603
Retirement benefit costs *(note 32)*	81	43
	3,799	4,646
Depreciation	76	52
Auditor's remuneration	430	380
Operating lease payments	758	922
Write back of impairment allowances on mortgage loans	(123)	(52)
Net exchange loss	190	106
Legal and professional fees	1,833	2,603

8. TAXATION

	2010	2009
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— Provision for the year	35	33
— Underprovision in prior years	—	6
	35	39
Deferred tax *(note 29)*	(1,703)	—
(Credit) charge for the year	(1,668)	39

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

	2010	2009
	HK$'000	*HK$'000*
(Loss) profit before taxation	(35,395)	3,423
Tax at the Hong Kong Profits tax rate of 16.5%	(5,840)	565
Tax effect of non taxable income	(31)	(1,331)
Tax effect of non deductible expenses	432	284
Utilisation of tax losses previously not recognised	(3,014)	(510)
Recognition of tax loss previously not recognised	(1,703)	—
Tax effect of tax losses not recognised	8,490	1,025
Underprovision in prior years	—	6
Others	(2)	—
(Credit) charge for the year	(1,668)	39

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2009: 13) Directors were as follows:

2010	Mr. Tang Yu Ming, Nelson*	Mr. Ng Cheuk Fan, Keith**	Mr. Lam Kwok Hing, Wilfred**	Mr. So Yuen Chun***	Mr. Soong Kok Meng**	Mr. Au Tin Fung	Mr. Chan Chun Wai	Mr. Lau Yu Fung, Wilson*	Mr. Chan Chi Yuen	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	200	96	8	88	—	—	—	—	200	592
Others emoluments										
Salaries and other benefits	—	—	—	22	22	520	520	440	—	1,524
Contributions to pension schemes	—	—	—	1	1	12	12	11	—	37
Total emoluments	200	96	8	111	23	532	532	451	200	2,153

2009	Mr. John Zwaanstra*	Mr. John Pridjian#	Mr. Todd David Zwaanstra#	Mr. Jonathon Jarrod Lawless#	Mr. Alan Howard. Smith, *J.P*#	Mr. Stephen King Chang-Min#	Mr. Patrick Smulders#	Mr. Tang Yu Ming, Nelson##	Mr. Au Tin Fung##	Mr. Chan Chun Wai##	Mr. Lau Yu Fung, Wilson##	Mr. Chan Chi Yuen##	Mr. Yu Kam Kee Lawrence#	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	—	—	—	—	—	—	—	119	11	—	—	49	33	212
Others emoluments														
Salaries and other benefits	—	—	—	—	—	—	—	—	100	129	129	—	—	358
Contribution to pension schemes	—	—	—	—	—	—	—	—	3	3	3	—	—	9
Total emolument	—	—	—	—	—	—	—	119	114	132	132	49	33	579
Payment paid to former director for loss of office	—	249	—	—	200	200	200	—	—	—	—	—	—	849
	—	249	—	—	200	200	200	119	114	132	132	49	33	1,428

There were no arrangements under which a Director waived or agreed to waive any emoluments.

* The Directors resigned during the year 2010.

** The Directors were appointed during the year 2010.

*** Mr. So Yuen Chun was appointed as Independent Non-Executive Director on 15 January 2010 and re- designated as Executive Director on 01 December 2010.

The Directors resigned during the year 2009.

The Directors were appointed during the year 2009.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2009: two) were Directors of the Company whose emoluments are included in note 9 above. The emoluments of the remaining two (2009: three) individuals were as follows:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries, bonus, allowances and benefits in kind	844	2,601
Retirement benefit costs	24	27
	868	2,628

Their emoluments were within the following bands:

	2010 Number of employees	2009 Number of employees
Nil–HK$1,000,000	2	2
HK$1,000,001–HK$1,500,000	—	—
HK$1,500,001–HK$2,000,000	—	1

11. DIVIDENDS

No dividend was paid or proposed during 2010 and 2009, nor has any dividend been proposed since the end of the reporting periods.

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share and diluted (loss) earnings per share attributable to the shareholders of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
(Loss) profit for the purposes of basic (loss) earnings per share and diluted (loss) earnings per share		
(Loss) profit attributable to shareholders	(33,727)	3,384

	2010	2009
	Shares	*Shares* (restated)
Weighted average number of ordinary share for the purposes of basic and diluted (loss) earnings per share	2,848,023,090	2,787,789,355

The computation of diluted loss per share for the year ended 31 December 2010 does not assume the exercise or conversion of the Company's outstanding options for convertible bonds, convertible bonds or warrants since their exercise or conversion would result in a decrease in the loss per share.

No diluted earnings per share was presented for the year ended 31 December 2009 as there were no potential ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share for the year of 2010 and 2009, have been adjusted for the share subdivision on 10 February 2010 and the bonus element in an open offer on 5 May 2010 as disclosed in notes 20(a) and (b).

13. EQUIPMENT

	The Group Furniture and equipment *HK$'000*
COST	
At 1 January 2009	191
Additions	122
At 31 December 2009 and 1 January 2010	313
Additions	26
At 31 December 2010	339
DEPRECIATION	
At 1 January 2009	77
Provided for the year	52
At 31 December 2009 and 1 January 2010	129
Provided for the year	76
At 31 December 2010	205
CARRYING AMOUNT	
At 31 December 2010	134
At 31 December 2009	184

Furniture and equipment are depreciated on a straight-line basis at 20% to 33 1/3% per annum.

	The Group Furniture and equipment *HK$'000*
COST	
At 1 January 2009	179
Additions	122
At 31 December 2009 and 1 January 2010	301
Additions	26
At 31 December 2010	327
DEPRECIATION	
At 1 January 2009	69
Provided for the year	49
At 31 December 2009 and 1 January 2010	118
Provided for the year	75
At 31 December 2010	193
CARRYING AMOUNT	
At 31 December 2010	134
At 31 December 2009	183

Furniture and equipment are depreciated on a straight-line basis at 20% to 33 1/3% per annum.

14. MORTGAGE LOANS

	The Group 2010 HK$'000	2009 HK$'000
Fixed-rate loan receivables	1,699	3,326
Variable-rate loan receivables	127,841	66,504
	129,540	69,830
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the reporting date)	1,245	1,562
Non-current assets (receivable after 12 months from the reporting date)	128,295	68,268
	129,540	69,830

Included in the variable-rate loan receivables are two mortgage loans to a customer amounting to HK$127,000,000 (31 December 2009: HK$65,000,000). The loans bear variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited and will mature during January to May 2011. Subsequent to the end of the reporting period, the Group entered into an agreement with the customer to reschedule the repayment of the loan to January 2012.

The credit quality of the loan is satisfactory as the loan is secured by the pledge of properties with a fair value of HK$430,000,000 at the end of the reporting period. The directors are of the view that the properties collateral can fully cover the outstanding loans after taking into account other mortgages of the properties. Accordingly, no impairment allowance is considered necessary.

The remaining mortgage loans of HK$2,540,000 (2009: HK$4,830,000) are secured by mortgage properties. These mortgage loans at 31 December 2010 are net of impairment allowances of approximately HK$45,000 (2009: approximately HK$168,000).

The maturity profile of these mortgage loans, net of impairment allowances, at the reporting date, is analysed by the remaining periods to their contractual maturity dates as follows:

	The Group 2010 HK$'000	2009 HK$'000
Repayable:		
Within 3 months	897	757
Between 3 months and 1 year	348	805
Between 1 and 5 years	1,169	2,830
After 5 years	126	438
	2,540	4,830

Before accepting any new customer, the Group uses internal assessment system to assess the potential credit quality and determines credit limits by customer. The mortgage loans of approximately HK$1,705,000 (2009: approximately HK$4,362,000) that are neither past due nor impaired have timely repayment of principal and interest.

The ageing of mortgage loans, net of impairment allowances, which are past due but not impaired, at the end of the reporting period is analysed as follows:

	The Group 2010 HK$'000	2009 HK$'000
Within 3 months	835	468

The directors are of the view that no individual impairment allowance is necessary since the outstanding loans are fully secured by the respective mortgage properties.

	The Company 2010 HK$'000	The Company 2009 HK$'000
Variable-rate loan receivables	78	143
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the end of reporting period)	62	59
Non-current assets (receivable after 12 months from the end of reporting period)	16	84
Variable-rate loan receivables	78	143

Variable-rate loan receivables are secured by mortgage properties and bear interest at market interest rates.

The maturity profile of variable-rate mortgage loans, net of impairment allowances, at the reporting date, is analysed by the remaining periods to their contractual maturity dates as follows:

	The Company 2010 HK$'000	The Company 2009 HK$'000
Repayable:		
Within 3 months	11	11
Between 3 months and 1 year	51	48
Between 1 and 5 years	16	84
	78	143

All the mortgage loans of the Company are neither past due nor impaired.

The fair value of the Group's and the Company's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the reporting date, approximates the carrying amount of the mortgage loans.

15. IMPAIRMENT ALLOWANCES ON MORTGAGE LOANS

	The Group Collective impairment allowances HK$'000
At 1 January 2009	220
Write back during the year	(52)
At 31 December 2009 and 1 January 2010	168
Write back during the year	(123)
At 31 December 2010	45

There are no individual impairment allowances made for mortgage loans of the Company as at 31 December 2010 and 2009.

Individual impairment is made when the mortgage loan borrower is unable to repay the principal on time and the present value of the collateral held by the Group and the Company is not sufficient to cover the carrying amount of the loan.

In addition to conducting individual assessment of impairment, the Group and the Company have also carried out collective assessment. Mortgage loan impairment allowances were made on a collective basis with reference to historical loss experience.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	28,243	64,421
Convertible bonds	—	19,520
	28,243	83,941
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	—	26,000
	28,243	109,941

	The Company	
	2010	**2009**
	HK$'000	*HK$'000*
Held-for-trading investments:		
Convertible bonds	—	19,520
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	—	26,000
	—	45,520

The held-for-trading investments of the Group as at 31 December 2010 represent the fair values of two equity investments representing 2.14% (2009: 4.97%) and 4.97% (2009: nil) of total outstanding issued shares of the relevant listed entities at the end of the reporting period.

As at 31 December 2010, fair value of the listed equity security, amounting to HK$14,760,000, was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange. As the trading of the shares of the other listed equity security, has been suspended from 30 November 2010 to 17 January 2011, the fair value as at 31 December 2010, amounting to HK$13,483,000, was determined with reference to the closing bid price as at 29 November 2010.

As at 31 December 2009, the fair value of the listed equity security was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

In 2009, the Company purchased a convertible zero coupon bond issued by a company listed on the Hong Kong Stock Exchange with a principal amount US$10 million at consideration of HK$19,520,000. The convertible bond was unlisted and was convertible at the option of the bondholder(s), at any time up to and including 4 February 2011, into existing shares of a subsidiary of the company issuing the bond. The convertible bond was disposed of at a consideration of HK$21,661,000 during the year, resulting in a gain of HK$2,141,000.

In 2009, the Company purchased a structured secured loan issued by a listed company in Hong Kong from a secondary market prior to its Initial Public Offering in the Hong Kong Stock Exchange. The structured secured loan entitled the Company to a guaranteed interest return on the principal if the Initial Public Offering was successful and a put option to request the issuer to redeem the loan at a fixed amount, if the Initial Public Offering was not successful. The final maturity date of the loan was 31 October 2010. The structured secured loan was denominated in USD and carried interest rate above the LIBOR rate. Upon the successful Initial Public Offering of the issuer of the structured secured loan, the Company received the guaranteed interest return and the put option expired.

As at 31 December 2009, the fair value of the loan which approximate to its principal amount, was measured based on valuation techniques using inputs derived mainly from observable market data. The outstanding structured secured loan was fully repaid during the year.

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments include:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	16,680	—

The amount represents the fair value of an equity investment in 4.97% of total outstanding issued shares of listed entity at the end of the reporting period.

The fair value of the listed equity securities was determined based on the quoted market bid price available on the Hong Kong Stock Exchange.

18. LOAN RECEIVABLES

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount analysed for reporting purposes		
Current assets (receivable within 12 months from the reporting date)	60,000	10,000
Non-current assets (receivable after 12 months from the reporting date)	64,000	—
	124,000	10,000

	The Company	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount analysed for reporting purposes		
Current assets (receivable within 12 months from the reporting date)	—	10,000
Non-current assets (receivable after 12 months from the reporting date)	—	—
	—	10,000

As at 31 December 2010, loan receivables, which are denominated in HKD, carry fixed interest rates at 8% per annum. A loan receivable amounting to HK$64,000,000 is secured by promissory notes issued by a listed entity in Hong Kong while another loan receivable amounting to HK$60,000,000 is secured by a convertible bond issued by a listed entity in Hong Kong. Subsequent to the end of the reporting period, the Group entered into an agreement with the borrower of loan receivable of HK$64,000,000 to reschedule the repayment of the loan to January 2012.

As at 31 December 2009, the loan receivable of HK$10,000,000 was denominated in HKD, unsecured, carried a fixed interest rate of 8% per annum and was repayable on demand. The loan was fully repaid during the current year.

No impairment allowance are made for loan receivables which are neither past due nor impaired as at 31 December 2010 and 2009.

The fair value of the Group's and the Company's loan receivables, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the reporting date, approximates the carrying amount of the loan receivables.

19. BANK BALANCES

The amounts comprise bank balances held by the Group and the Company and short-term bank deposits bearing market interest rates ranging from 0.1% to 0.2% (31 December 2009: 0.1% to 0.2%) per annum. The fair value of these assets approximates the corresponding carrying amount.

20. SHARE CAPITAL OF THE COMPANY

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of par value HK$0.1 each		
As at 1 January 2009 and 31 December 2009	300,000,000	300,000
Share subdivision *(note a)*	2,700,000,000	N/A
Increase in authorised share capital *(note a)*	2,000,000,000	200,000
As at 31 December 2010	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of par value HK$0.1 each		
As at 1 January 2009 and 31 December 2009	225,000,000	225,000
Share subdivision *(note a)*	2,025,000,000	N/A
Issue of ordinary shares *(note b)*	562,500,000	56,250
Shares placement on 23 Dec 2010 *(note c)*	1,135,000,000	113,500
Issue of shares upon conversion of convertible bonds *(note 21)*	47,200,358	4,720
As at 31 December 2010	3,994,700,358	399,470

Notes:

(a) Pursuant to an extraordinary general meeting of the Company held on 10 February 2010 (the "EGM"), each of the issued and unissued shares of HK$1.00 each in the share capital of the Company was subdivided into 10 shares (the "Share Subdivision") of HK$0.10 each (the "Subdivided Shares"). Following the Share Subdivision, the authorised share capital of the Company was further increased from HK$300,000,000 to HK$500,000,000 by the creation of an additional 2,000,000,000 shares of HK$0.10 each at the same EGM. The new shares rank pari passu in all respects with the existing issued shares of the Company.

(b) On 5 May 2010, the Company allotted and issued 562,500,000 ordinary shares of HK$0.1 each at a subscription price of HK$0.1 per share to the existing qualifying shareholders on the basis of one offer share for every four existing shares (the "Open Offer") and 449,999,997 options to subscribe for convertible bonds in a principal amount of HK$45,000,000 that can be convertible to the Company's shares with a conversion price of HK$0.1 per share. The fair value of options for convertible bonds amounting to HK$51.8 million, which was estimated after taking into account the market prices of the Company's ordinary shares, at issue date of the options, is recognised in equity and the difference between the deemed consideration received (which is nil) and fair value of the options to subscribe for convertible bonds is deducted from retained profits. The net proceeds of approximately HK$54 million after deducting the issue expense of HK$2.2 million were used as general working capital of the Group. Details of the Open Offer are set out in a prospectus of the Company dated 15 April 2010.

(c) On 28 December 2010, the Company allotted and issued 1,135,000,000 shares through placement at the price of HK$0.11 per share. The total gross proceeds of the placement amounted to approximately HK$124.85 million. The net proceeds from the placing, after the deduction of the placing commission and other related expenses, amounted to approximately HK$121.73 million.

21. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS AND CONVERTIBLE BONDS

Pursuant to the open offer as disclosed in note 20(b), the Company issued 449,999,997 options to the subscribers of the offer shares conferring the rights to the holders of the options thereof to subscribe in cash for convertible bonds of the Company in the principal amount of HK$45,000,000 of HK$0.10 each at any time during the period from 5 May 2010 to 4 May 2011.

The fair value of the convertible bond options on date of issuance are calculated by the Binomial Model with the following key attributes:

Volatility	101.24%
Share price of the Company	HK$0.18 *(note)*
Expected life	1 year
Dividend yield	0%
Risk free rate	0.988%

Note: The share price of the Company was adjusted for the impact of the open offer.

During the period up to maturity date, the convertible bond holders shall be able to convert, but not redeem the convertible bonds, in their entirety (and not in portions). The Company may, during the same period, unilaterally enforce redemption in its sole and absolute discretion, upon obtaining the written confirmation from the convertible bond holders, at 90% of the principal amount without interest. The convertible bonds are zero-coupon, denominated in Hong Kong dollars and will mature on 31 December 2012. The directors consider the convertible bonds as equity instruments of the Company based on the substance of the contractual terms and the definition of a financial liability and an equity instrument.

Unless previously converted by the convertible bond holders before maturity date, on the maturity date, the Company shall have the sole and absolute discretion to determine whether to redeem the convertible bonds on the maturity date at 100% of the principal amount of the convertible bonds or to issue ordinary shares of the Company to the convertible bond holders based on the conversion price of HK$0.1 per share.

During the current year, 47,793,618 options were exercised by the convertible bond option holders and the Company has issued convertible bonds in the principal amount of HK$4,779,362 accordingly.

During the current year, convertible bonds in the principal amount of HK$4,720,036 were converted into 47,200,358 ordinary shares of HK$0.1 each of the Company. At 31 December 2010, the Company had convertible bonds in the principal amount of HK$59,326 outstanding and 402,206,379 outstanding options, the exercise in full of these options would result in further issuance of convertible bonds in the principal amount of HK$40,220,638.

22. WARRANTS

On 10 May 2010, the Company and Fortune (HK) Securities Limited entered into a placing agreement in respect of the placement of 562,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.10 each at a subscription price of HK$0.18. Subsequently, the placing agent and the Company agreed to vary the warrant placement by terminating the warrant placing agreement dated 10 May 2010 and entering into a supplemental warrant placing agreement on 7 June 2010. Pursuant to the supplemental agreement 7 June 2010, the exercise price was amended from HK$0.18 to HK$0.147 per warrant. The placement was completed on 22 June 2010 with the warrants expiring on 21 June 2012. Details of the above are set out in the Company's announcements dated 11 May 2010, 7 June 2010 and 22 June 2010.

No warrant had been exercised during the year ended 31 December 2010.

23. RESERVES

	The Company						
	Share Premium HK$'000	Convertible bonds HK$'000	Convertible bond options HK$'000	Warrants HK$'000	Investment revaluation reserve HK$'000	(Accumulated loss)/ Retained profits HK$'000	Total HK$'000
At 1 January 2009	—	—	—	—	875	2,511	3,386
Profit for the year	—	—	—	—	—	9,421	9,421
Fair value changes of available-for-sale investments	—	—	—	—	699	—	699
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments	—	—	—	—	(1,574)	—	(1,574)
Total comprehensive income for the year	—	—	—	—	(875)	9,421	8,546
At 31 December 2009 and 1 January 2010	—	—	—	—	—	11,932	11,932
Loss and total comprehensive income for the year	—	—	—	—	—	(31,612)	(31,612)
Issue of ordinary shares and options for convertible bonds	—	—	51,763	—	—	(51,763)	—
Issue of convertible bonds	—	10,277	(5,498)	—	—	—	4,779
Issue of shares upon conversion of convertible bonds	5,429	(10,149)	—	—	—	—	(4,720)
Issue of warrants	—	—	—	5,620	—	—	5,620
Issue of ordinary shares by placement	11,350	—	—	—	—	—	11,350
Transaction cost attributable to issue of shares	(3,121)	—	—	—	—	—	(3,121)
At 31 December 2010	13,658	128	46,265	5,620	—	(71,443)	(5,772)

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves. The management reviews the capital structure by considering the cost of capital. In view of this, the Group manages its overall capital structure through monitoring the cash level, payment of dividends and issuance of share capital and convertible bonds (options), if the need arise.

25. FINANCIAL INSTRUMENTS

(A) Categories of financial instruments

	The Group 2010 HK$'000	The Group 2009 HK$'000
Financial assets		
Available-for-sale investments	16,680	—
Financial assets at fair value through profit or loss	28,243	109,941
Loans and receivables (including cash and cash equivalents)	350,277	121,958

	The Group 2010 HK$'000	The Group 2009 HK$'000
Financial liabilities		
Other financial liabilities	2,642	1,281

	The Company 2010 HK$'000	The Company 2009 HK$'000
Financial assets		
Available-for-sale investments	—	—
Financial assets at fair value through profit or loss	—	45,520
Loans and receivables (including cash and cash equivalents)	394,472	192,141
Financial liabilities		
Other financial liabilities	2,614	1,240

(B) Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. These risks include market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose them primarily to the financial risks of changes in foreign currency exchange rates, interest rates and prices of held-for-trading equity investments and available-for-sale investments.

Foreign currency risk management

The Group and the Company have US$ denominated bank balances, financial assets at FVTPL and other receivables, which expose the Group and the Company to foreign currency risk.

No sensitivity analysis is presented for foreign currency risk as the directors considered that the effect is insignificant under the linked exchange rate system between HK$ and US$.

Interest rate risk management

The Group's exposure to cashflow interest rate risk is mainly caused by variable-rate mortgage loans.

If interest rates had been 100 (2009: 100) basis points higher/lower and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2010 would decrease/ increase by HK$1,067,000 (2009: profit after tax increase/decrease by HK$555,000).

The Group's and the Company's exposure to fair value interest rate risk was mainly caused by structured secured loan as at 31 December 2009. The instrument is considered to be a fixed rate instrument by the management since the interest rate until repayment was fixed as at 31 December 2009 although the interest rate of the loan is variable at issuance. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's and the Company's profit after tax for the year ended 31 December 2009 would decrease/ increase by HK$22,000/HK$23,000. There is no such exposure as at 31 December 2010.

The sensitivity analyses have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. The analysis is prepared assuming the amount of structured secured loan and variable-rate mortgage loans at the reporting date were outstanding for the whole year. A 100 basis point increase or decrease in the Hong Kong lending rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The Group currently has no hedging approach to the cashflow interest rate risk and fair values interest rate risk.

Price risks

The Group is exposed to price risk through its investments in listed equity securities during the reporting period. The price risk is monitored by the management of the Group and appropriate action will be taken to mitigate the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date.

If market prices of held for trading equity investments have been 20% (2009: 20%) higher/lower, loss after tax for the year ended 31 December 2010 would decrease/increase by HK$4,717,000 (31 December 2009: profit before tax increase/decrease by HK$10,758,000).

If market prices of available-for-sale equity securities have been 20% higher/lower, investment revaluation reserve as at 31 December 2010 would increase/decrease by HK$2,786,000 (31 December 2009: HK$: nil).

The Group's and the Company's sensitivity to prices have decreased during the current year mainly due to drop in fair value of the listed equity securities.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue loans. In addition, the Group and the Company review the recoverable amount of each individual mortgage loan and loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The credit risk on liquid funds is limited because the counterparties are banks located in Hong Kong subject to the supervision by the Hong Kong Monetary Authority.

As at 31 December 2010, the Group had concentration of credit risk on a mortgage loan of HK$127,000,000 (31 December 2009: HK$65,000,000) to a particular borrower and loan receivables of HK$124,000,000 to two borrowers (31 December 2009: HK$10,000,000 to a particular borrower). The directors closely monitor the risk exposure of the customers and collateral and would take appropriate action to ensure the risk exposure is acceptable. The directors are of the view that the expected cash flow of the mortgage loan and loan receivables are sufficient to cover the carrying amount of the mortgage loan and loan receivables as at 31 December 2010. The Group has no other significant concentration of credit risk, with exposures spread over a number of counterparties in Hong Kong.

For the investment in a structured secured loan to a listed company in Hong Kong (note 16) as at 31 December 2009, the Group and the Company also had concentration of credit risk in a single geographical location in the People's Republic of China. The credit rating of the structured loan is non investment credit rating as at 31 December 2009. The directors have closely monitored the risk exposure to be maintained at a level that the Group can bear. The structured secured loan was fully settled during the reporting period.

The credit quality of the convertible bonds (note 16) held by the Group and the Company as at 31 December 2009 was mainly determined by the credit quality of the issuer, which is a listed company in The Stock Exchange of Hong Kong Limited. The directors had closely monitored the risk exposure of the convertible bond to ensure the risk exposure is acceptable. The investment was disposed of during the reporting period.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

No analysis of maturity profile on financial liabilities is prepared as, in the opinion of directors, the Group and the Company's financial liabilities are repayable on demand by virtue of their nature.

Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Equity securities listed in Hong Kong	28,243	—	—	28,243
Available-for-sale investments	16,680	—	—	16,680
Total	44,923	—	—	44,923

	The Group 31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Equity securities listed in Hong Kong	64,421	—	—	64,421
Convertible bonds	—	19,520	—	19,520
Structured secured loan to a listed company in Hong Kong	—	26,000	—	26,000
Total	64,421	45,520	—	109,941

The Company does not hold any financial investments measured at fair value as at 31 December 2010. The analysis as at 31 December 2009 is as follows:

	The Company 31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Convertible bond	—	19,520	—	19,520
Structured secured loan to a listed company in Hong Kong	—	26,000	—	26,000
Total	—	45,520	—	45,520

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

26. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010	**2009**
	HK$'000	*HK$'000*
Unlisted shares, at cost	152	152

Particulars of subsidiaries at 31 December 2010 and 2009 are as follows:

Name of Company	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company 2010	2009	Principal activities
The Building and Loan Agency (Asia) Limited	Hong Kong	HK$2	100%	100%	Money lending
Winbest Holdings Limited	British Virgin Islands	US$1	100%	100%	Dormant
Alpha Gain Limited	Hong Kong	HK$2	100%	100%	Dormant
Palmy Right Limited	British Virgin Islands	US$1	100%	100%	Securities investment
Tack On Limited	British Virgin Islands	US$1	—	100%	Securities investment
United Warrior Limited	British Virgin Islands	US$1	100%	—	Dormant
Wise Planner Limited	British Virgin Islands	US$1	100%	—	Dormant
Diamond Team Limited	British Virgin Islands	US$1	100%	—	Dormant

27. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2010	**2009**
	HK$'000	*HK$'000*
Amounts due from subsidiaries	363,102	150,804
Allowance for impairment loss	(55,285)	(7,894)
	307,817	142,910

	The Company	
	2010	**2009**
	HK$'000	*HK$'000*
Carrying amount analysed for reporting purpose:		
Current assets (receivable within 12 months from the reporting date)	116,817	77,910
Non-current assets (receivable after 12 months from the reporting date)	191,000	65,000
	307,817	142,910

The amounts due from subsidiaries totalling HK$56,817,000 (2009: HK$142,910,000) are unsecured, interest-free and have no fixed repayment terms and the amounts due from subsidiaries totalling HK$251,000,000 (2009: nil) are unsecured, bear interest at rates ranging from 7.25% p.a. to 11.25% p.a. and have no fixed repayment terms.

Movement in the allowance for impairment loss

	The Company	
	2010	**2009**
	HK$'000	*HK$'000*
Balance at beginning of year	7,894	7,886
Charge during the year	47,391	8
Balance at end of year	55,285	7,894

The amounts due from subsidiaries are impaired as the present value of discounted cash flows of the subsidiaries is estimated to be less than its carrying amounts as a result of drop in value of assets held by the subsidiaries.

28. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

29. DEFERRED TAXATION

The following are the major deferred tax recognised and movements thereon during the current and prior years:

	Tax losses	**Investment revaluation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2009 and 31 December 2009	—	—	—
Credit to profit or loss	1,703	—	1,703
Charge to other comprehensive income	—	(1,703)	(1,703)
At 31 December 2010	1,703	(1,703)	—

At the end of the reporting period, the Group has tax losses of approximately HK$72,996,000 (2009: HK$56,812,000) available for offset against future profits.

No deferred tax asset has been recognised in respect of the Group's estimated unused tax losses of HK$62,676,000 (2009: HK$56,812,000) as it is uncertain that there will be sufficient future profits available to utilise the balances. The unrecognised tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company has unused tax losses of HK$32,190,000 (2009: HK$50,597,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated unused tax loss of the Company as it is uncertain that there will be sufficient future profits available to utilise the balances. The unrecognised tax losses may be carried forward indefinitely.

30. DISPOSAL OF A SUBSIDIARY

On 29 December 2010, the Company disposed of its 100% equity interest of its subsidiary, Tack On Limited, to a third party for a consideration of HK$9,700,000 in cash.

The net assets of the disposed subsidiary are as follows:

	Carrying amount before disposal *HK$'000*
Net assets disposed:	
Financial assets at fair value through profit or loss	9,173
Bank balance	10
Accruals	(36)
Amount due to the Company	(9,349)
	(202)
Debt from Tack On assigned to purchaser	9,349
Gain on disposal	553
Total consideration receivable	9,700
Net cash flow arising on disposal:	
Cash consideration received	—
Bank balance disposed of	(10)
	(10)

31. OPERATING LEASES

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments of HK$788,320 and HK$752,320 respectively (2009: HK$664,000 and HK$628,000) under non-cancellable operating leases for premises which fall due within one year.

Operating leases payments represent rentals payable by the Group and the Company for certain of its office properties. Leases are negotiated for an average term of one year and rentals are fixed for the respective lease term.

32. RETIREMENT BENEFIT SCHEME

The Group and the Company participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group and the Company, in funds under the control of trustee.

For members of the MPF Scheme, the Group and the Company contribute 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost charged to the profit or loss of HK$81,000 (2009: HK$43,000) represents contributions payable to the MPF Scheme by the Group in respect of the current year.

33. SHARE OPTION SCHEME

On 22 May 2008, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to the eligible participants (as defined in the Share Option Scheme) including employees, directors, shareholders and other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business Day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12 month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a director, chief executive or substantial shareholder or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders. Options granted under the Share Option Scheme will entitle the holder to subscribe for shares from the date of grant up to 21 May 2018. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No options were granted to any directors and employees of the Group during the two years ended 31 December 2009 and 31 December 2010 pursuant to the Share Option Scheme.

34. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following transactions with related parties:

(A) Income or expense items:

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Services fee paid to a company with common key management personnel	—	532

(B) Compensation of key management personnel

The key management of the Group comprises all Directors, details of their remuneration are disclosed in note 9. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

35. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement dated 25 February 2011, Wise Planner Limited, a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement to acquire the entire share capital of Weldtech Technology Co. Limited ("Weldtech Technology"), a company incorporated in Hong Kong, at a consideration of HK$2,800,000,000. Weldtech Technology is engaged in the provision of energy monitoring and energy saving solutions and urban facilities to reduce energy consumption and to enhance overall energy efficiency.

The consideration shall be satisfied by (i) HK$231,000,000 by way of cash; (ii) HK$1,650,000,000 by way of issue of the convertible notes with the conversion price of HK$0.16 per conversion share; (iii) HK$319,000,000 by way of issue of the promissory notes; and (iv) HK$600,000,000 by way of allotment and issue of the consideration shares at the issue price of HK$0.16 per consideration share.

The completion of transaction is conditional upon, among others, the approval of the sales and purchase agreement, increase in authorised share capital of the Company by shareholders at the extraordinary general meeting and the conditions mentioned in the sale and purchase agreement. It is estimated that the commission and professional fee in relation to the acquisition is approximately HK$148,000,000 when the acquisition is completed.

The following is the text of the accountants' report on the Weldtech Group, prepared for the purpose of inclusion in this circular, received from the reporting accountants of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

31 May 2011

The Board of Directors
The Hong Kong Building and Loan Agency Limited
Room 3501, 35/F
China Online Centre
No. 333 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information regarding Weldtech Technology Co. Limited (the "Weldtech Technology") and its subsidiary (hereinafter collectively referred to as the "Weldtech Group"), for the years ended 31 March 2008, 2009 and 2010 and for the period from 1 April 2010 to 31 December 2010 (the "Relevant Periods") (the "Financial Information"), for inclusion in the circular of The Hong Kong Building and Loan Agency Limited (the "Company") dated 31 May 2011 (the "Circular") in connection with the sale and purchase agreement dated 23 February 2011 and supplemental agreement dated 21 April 2011 and second supplemental agreement dated 30 May 2011 (the "Sale and Purchase Agreements") entered into between Wise Planner Limited (the "Purchaser"), a wholly owned subsidiary of the Company, and (i) Carbon Reserve Investments Limited, (ii) Cross Cone Holdings Limited, (iii) Newmargin Partners Limited, (iv) Season Best Investments Limited, (v) Smart Promise Limited and (iv) SV Technology Company Limited ("SV Technology") (collectively refer to as the "Vendors") pursuant to which the Purchaser would acquire the entire issued share capital of the Weldtech Technology at a total consideration of HK$2,800,000,000, subject to adjustments (collectively refer as the "Acquisition").

The Consideration shall be satisfied (i) as to HK$10,000,000 in cash being refundable deposit to SV Technology on or before 19 May 2011; (ii) as to HK$221,000,000 in cash to SV Technology upon the completion of the Acquisition (the "Completion"); (iii) as to HK$1,650,000,000 by issuing convertible notes to the Vendors upon the Completion; (iv) as to HK$319,000,000 by issuing promissory notes to the Vendors upon the Completion; and (v) as to HK$600,000,000 by allotting and issuing a total of 3,750,000,000 ordinary shares of HK$0.1 each in the share capital of the Company. The Financial Information comprises the consolidated statements of financial position of Weldtech Group as at 31 March 2008, 2009, 2010 and 31 December 2010 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow for the Relevant Periods and a summary of significant accounting policies and other explanatory information.

Weldtech Technology is principally engaged in investment holding and trading of natural gas pre-heating system and incorporated in Hong Kong with limited liability on 15 September 2004. As at 31 December 2010, Weldtech Technology has no major assets or operating business other than its entire equity interest in 日滔貿易(上海)有限公司 (transliterated as "Weldtech Technology (Shanghai) Co., Ltd.") (the "WFOE") and cash and cash equivalents.

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

Company name	Place of incorporation/ registration	Nominal value of issued and fully paid-up share/registered paid-up capital	Percentage of equity interest attributable to Weldtech Technology	Principal activities
Directly held:				
Weldtech Technology (Shanghai) Co., Ltd.*	The People's Republic of China ("PRC")	US$820,000/ US$900,000	100%	Provision of 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

* The statutory financial statements of the WFOE for the year ended 31 December 2009 were audited by Shanghai Shenwei Certified Public Accountants (上海申威聯合會計師事務所), certified public accountants registered in the PRC.

Weldtech Technology adopts 31 March as its financial year end date. No audited consolidated financial statements of the Weldtech Group have been prepared since its incorporation date.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of Weldtech Technology based on the unaudited consolidated financial statements of Weldtech Group for the Relevant Periods, on the basis as set out in Note 2 below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Weldtech Technology are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Listing Rules. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors of Weldtech Technology are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

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

OPINION

In our opinion, for the purpose of this report, the Financial Information gives true and fair views of the state of affairs of the Weldtech Group as at 31 March 2008, 2009, 2010 and 31 December 2010 and of the results and cash flows of the Weldtech Group for the Relevant Periods then ended in accordance with Hong Kong Financial Reporting Standards.

COMPARATIVE FINANCIAL INFORMATION

Respective responsibilities of directors and reporting accountants

The directors of Weldtech Technology are responsible for the preparation of the unaudited financial information of the Weldtech Group including the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the period from 1 April 2009 to 31 December 2009, together with the notes thereto (the "Unaudited Comparative Financial Information of the Weldtech Group").

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

Conclusion

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information of the Weldtech Group is not prepared, in all material respects, in accordance with Hong Kong Financial Reporting Standards.

A. FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income

	Notes	For the year ended 31 March 2008 HK$'000	For the year ended 31 March 2009 HK$'000	For the year ended 31 March 2010 HK$'000	For the period from 1 April 2009 to 31 December 2009 HK$'000 (Unaudited)	For the period from 1 April 2010 to 31 December 2010 HK$'000
Turnover	7	—	2,364	136	136	13,526
Cost of sales		—	(1,246)	(28)	(28)	(3,846)
Gross profit		—	1,118	108	108	9,680
Other revenue	7	—	—	1,711	1,711	164
Other income	8	—	—	2	2	65
Selling expenses		—	—	(82)	(7)	(1,424)
Administrative expenses		(31)	(808)	(1,164)	(717)	(4,351)
(Loss)/profit from operations	8	(31)	310	575	1,097	4,134
Share of results of an associate	14	—	—	—	—	—
Finance costs		—	—	—	—	—
(Loss)/profit before taxation		(31)	310	575	1,097	4,134
Taxation	10	—	—	—	—	—
(Loss)/profit for the year/period		(31)	310	575	1,097	4,134
Other comprehensive (loss)/ income, net of income tax: Exchange difference on translating of financial statements		—	(48)	(2)	1	168
Total comprehensive (loss)/ income for the year/period		(31)	262	573	1,098	4,302
(Loss)/profit attributable to:						
Owners of Weldtech Technology		(31)	439	759	1,187	4,029
Non-controlling interests		—	(129)	(184)	(90)	105
		(31)	310	575	1,097	4,134
Total comprehensive (loss)/ income attributable to:						
Owners of Weldtech Technology		(31)	391	758	1,188	4,197
Non-controlling interests		—	(129)	(185)	(90)	105
		(31)	262	573	1,098	4,302
(Loss)/earnings per share — Basic and diluted (HK$'000 per share)	12	(7.75)	4.39	7.59	11.87	4.03

Consolidated Statement of Financial Position

	Notes	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Non-current assets					
Property, plant and equipment	*13*	—	3	10	510
Interest in an associate	*14*	2	3	—	—
Prepayments, deposits and other receivables		—	—	57	—
Finance lease receivables	*19*	—	—	—	10,941
Goodwill	*15*	—	111	111	111
		2	117	178	11,562
Current assets					
Inventories	*18*	—	9	1,044	196
Trade receivables	*16*	—	476	238	74
Prepayments, deposits and other receivables	*17*	—	42	—	6,171
Finance lease receivables	*19*	—	—	—	2,772
Amounts due from directors	*20*	—	890	2,196	14
Amounts due from related companies	*21*	—	—	63	—
Cash and cash equivalents	*22*	1	6	5	8,531
		1	1,423	3,546	17,758
Current liabilities					
Trade and other payables	*23*	5	57	88	1,019
Receipt in advance		—	—	—	4,428
Amount due to a director	*24*	66	—	—	1,803
Amount due to an associate	*25*	—	5	—	—
Amount due to a shareholder	*26*	—	—	—	3,000
Amounts due to related companies	*27*	—	1,268	2,680	7,029
		71	1,330	2,768	17,279
Net current (liabilities)/assets		(70)	93	778	479
Total assets less current liabilities		(68)	210	956	12,041
Capital and reserves					
Share capital	*28*	1	1	1	1
Reserves		(69)	280	1,116	12,040
Equity attributable to owners of Weldtech Technology		(68)	281	1,117	12,041
Non-controlling interests		—	(71)	(161)	—
		(68)	210	956	12,041

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Exchange reserve	Statutory reserve	Other reserve	(Accumulated losses)/ retained earnings	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	1	—	—	—	—	(38)	(37)	—	(37)
Loss for the year	—	—	—	—	—	(31)	(31)	—	(31)
Other comprehensive income	—	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	(31)	(31)	—	(31)
At 31 March 2008 and 1 April 2008	1	—	—	—	—	(69)	(68)	—	(68)
Acquisition of a subsidiary	—	—	—	—	—	—	—	16	16
Acquisition of additional interest in a subsidiary	—	—	—	—	(42)	—	(42)	42	—
Profit for the year	—	—	—	—	—	439	439	(129)	310
Other comprehensive loss	—	—	(48)	—	—	—	(48)	—	(48)
Total comprehensive (loss)/income	—	—	(48)	—	—	439	391	(129)	262
At 31 March 2009 and 1 April 2009	1	—	(48)	—	(42)	370	281	(71)	210
Acquisition of additional interest in a subsidiary	—	—	—	—	78	—	78	95	173
Profit for the year	—	—	—	—	—	759	759	(184)	575
Other comprehensive loss	—	—	(1)	—	—	—	(1)	(1)	(2)
Total comprehensive (loss)/income	—	—	(1)	—	—	759	758	(185)	573
At 31 March 2010 and 1 April 2010	1	—	(49)	—	36	1,129	1,117	(161)	956
Acquisition of additional interest in a subsidiary	—	—	—	—	(273)	—	(273)	56	(217)
Profit for the period	—	—	—	—	—	4,029	4,029	105	4,134
Other comprehensive income	—	—	168	—	—	—	168	—	168
Total comprehensive income	—	—	168	—	—	4,029	4,197	105	4,302
Allotment of ordinary shares	—	7,000	—	—	—	—	7,000	—	7,000
Current year appropriation	—	—	—	227	—	(227)	—	—	—
At 31 December 2010	1	7,000	119	227	(237)	4,931	12,041	—	12,041
At 1 April 2009	1	—	(48)	—	(42)	370	281	(71)	210
Acquisition of additional interest in a subsidiary	—	—	—	—	78	—	78	95	173
Profit for the period	—	—	—	—	—	1,187	1,187	(90)	1,097
Other comprehensive income	—	—	1	—	—	—	1	—	1
Total comprehensive income	—	—	1	—	—	1,187	1,188	(90)	1,098
At 31 December 2009 (Unaudited)	1	—	(47)	—	36	1,557	1,547	(66)	1,481

Consolidated Statement of Cash Flow

	For the year ended 31 March 2008 *HK$'000*	For the year ended 31 March 2009 *HK$'000*	For the year ended 31 March 2010 *HK$'000*	For the period from 1 April 2009 to 31 December 2009 *HK$'000* *(Unaudited)*	For the period from 1 April 2010 to 31 December 2010 *HK$'000*
Operating activities					
(Loss)/profit before taxation	(31)	310	575	1,097	4,134
Adjustments for:					
Depreciation	—	—	1	1	27
Operating cash flows before movements in working capital	(31)	310	576	1,098	4,161
(Increase)/decrease in trade receivables	—	(476)	238	—	165
Increase in prepayments, deposits and other receivables	—	(42)	(15)	(92)	(6,112)
(Increase)/decrease in inventories	—	(9)	(1,035)	(899)	886
(Increase)/decrease in amounts due from directors	—	(890)	(1,306)	(1,077)	2,188
(Increase)/decrease in amounts due from related companies	—	—	(63)	(46)	65
Increase in finance lease receivables	—	—	—	—	(13,713)
Increase in trade payables	—	44	3	3	878
(Decrease)/increase in other payables and accruals	(2)	8	27	35	53
Increase in receipt in advance	—	—	—	—	4,428
Increase/(decrease) in amount due to a director	34	(66)	—	—	1,803
Increase in amounts due to related companies	—	1,126	1,407	1,016	4,252
Increase in amount due to a shareholder	—	—	—	—	3,000
Increase/(decrease) in amount due to an associate	—	5	(5)	(5)	—
Cash generated from/(used in) operations	1	10	(173)	33	2,054
Income tax paid	—	—	—	—	—
Net cash generated from/(used in) operating activities	1	10	(173)	33	2,054

	For the year ended 31 March 2008 *HK$'000*	For the year ended 31 March 2009 *HK$'000*	For the year ended 31 March 2010 *HK$'000*	For the period from 1 April 2009 to 31 December 2009 *HK$'000* *(Unaudited)*	For the period from 1 April 2010 to 31 December 2010 *HK$'000*
Investing activities					
Net cash inflow from acquisition of a subsidiary	—	47	—	—	—
Net cash outflow from investment in an associate	(2)	(1)	—	—	—
Proceeds from disposal of an associate	—	—	3	3	—
Net cash inflow/(outflow) from acquisition of additional interests in a subsidiary	—	—	173	173	(217)
Purchase of property, plant and equipment	—	(3)	(8)	—	(527)
Net cash (used in)/generated from investing activities	(2)	43	168	176	(744)
Financing activities					
Proceeds from allotment of shares	—	—	—	—	7,000
Net cash generated from financing activities	—	—	—	—	7,000
Net (decrease)/increase in cash and cash equivalents	(1)	53	(5)	209	8,310
Cash and cash equivalents at the beginning of the year/period	2	1	6	6	5
Effect of foreign currency exchange rate changes	—	(48)	4	2	216
Cash and cash equivalents at the end of the year/period	1	6	5	217	8,531
Analysis of balances of cash and cash equivalents	1	6	5	217	8,531

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The registered office and principal place of business of Weldtech Technology is at 17th Floor, 88 Lockhart Road, Wanchai, Hong Kong. Weldtech Technology was incorporated in Hong Kong with limited liability. Weldtech Technology is principally engaged in investment holding and trading of natural gas pre-heating system.

The Financial Information is presented in Hong Kong Dollars, which is the functional currency of Weldtech Technology and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA, and accounting principles generally accepted in Hong Kong ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as applicable to Accountants' Reports including in the listing documents or circulars. The policies of the Weldtech Group are materially consistent with the Company's accounting policies. The measurement basis used in the preparation of the Financial Information is historical cost convention accounting except for financial assets and financial liabilities have been carried at fair value.

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

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

The Weldtech Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

The Weldtech Group is not yet in a position to determine whether these standards, amendments and interpretations will have significant impact on how the results of operations and financial position are prepared and presented. These standards, amendments and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 — Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Weldtech Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Weldtech Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled *Disclosures — Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Weldtech Group's disclosures regarding transfers of trade receivables previously effected. However, if the Weldtech Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Weldtech Group because the Weldtech Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Weldtech Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Weldtech Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Weldtech Group has not entered into transactions of this nature. However, if the Weldtech Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Weldtech Technology expect that the adoption of the above new standards, amendments and interpretations will not have any significant impact on how the results and financial position of the Weldtech Group are prepared and presents.

The accounting policies set out below have been applied consistently to the Relevant Periods presented in the Financial Information.

(a) Basis of preparation

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

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

(b) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Weldtech Group's ownership interests in existing subsidiaries

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

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

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

(c) Business combinations

Business combinations that took place on or after 1 January 2010

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

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

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

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

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

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

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

Where the consideration the Weldtech Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

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

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Weldtech Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Weldtech Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Weldtech Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Weldtech Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Weldtech Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree. Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

(d) Acquisition of additional interest in a subsidiary

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

(e) Goodwill

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(f) Subsidiary

A subsidiary is an entity whose financial and operating policies Weldtech Technology controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiary are included in Weldtech Technology's statement of comprehensive income to the extent of dividends received and receivable. Weldtech Technology's investment in subsidiary that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

(g) Impairment

At the end of each reporting period, the directors of Weldtech Technology review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation increase under that standard.

(h) Financial instruments

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

Financial assets

The Weldtech Group's financial assets are classified into loans and receivables (including cash and cash equivalents). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss then there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Weldtech Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Weldtech Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Financial liabilities (other than derivative financial instruments)

The Weldtech Group's financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Weldtech Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Weldtech Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Weldtech Group's own equity instruments.

Derecognition

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

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

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately in current liabilities on the consolidated statement of financial position.

(j) Revenue recognition

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

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

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

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

Office equipment	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

(l) Inventories

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

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Weldtech Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of comprehensive income.

(n) Foreign currencies

In preparing the Financial Information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated statement of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in consolidated statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

(o) Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(p) Provisions

Provisions are recognised when the Weldtech Group has a present obligation as a result of a past event, and it is probable that the Weldtech Group will be required to settle that obligation. Provisions are measured at the best estimate of the directors of Weldtech Technology of the expenditure required to settle the obligation as at the end of the reporting period, and are discounted to present value where the effect is material.

(q) Contingent liabilities and contingent assets

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

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

(r) Related party transactions

Parties are considered to be related to the Weldtech Group if:

a. the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Weldtech Group; (ii) has an interest in the Weldtech Group that gives it significant influence over the Weldtech Group; (iii) has joint control over the Weldtech Group;

b. the party is an associate;

c. the party is a jointly-controlled entity;

d. the party is a member of the key management personnel of the Weldtech Group or its parent;

e. the party is a close member of the family of any individual referred to in (a) or (d);

f. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

g. the party is a post-employment benefit plan for the benefit of the employees of the Weldtech Group, of any entity that is related party of the Weldtech Group.

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

(s) Leases

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

The Weldtech Group as lessor

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

(t) Segment reporting

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

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

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Weldtech Group's accounting policies which are described in Note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below:

(a) Income taxes

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

(b) Impairment of property, plant and equipment

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

(c) Useful lives and residual values of property, plant and equipment

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

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculated present value.

The carrying amount of goodwill as at 31 December 2010 was approximately HK$111,000. No impairment was provided for during the Relevant Periods. Details of the impairment loss calculation are set out in Note 15.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Financial assets				
Loan and receivables (including cash and cash equivalents)				
— trade receivables	—	476	238	74
— prepayments, deposits and other receivables	—	42	57	1,637
— finance lease receivables	—	—	—	13,713
— amounts due from directors	—	890	2,196	14
— amounts due from related companies	—	—	63	—
— cash and cash equivalents	1	6	5	8,531
	1	1,414	2,559	23,969
Financial liabilities				
Amortised cost				
— trade and other payables	—	44	48	1,003
— receipt in advance	—	—	—	4,428
— amount due to a director	66	—	—	1,803
— amount due to an associate	—	5	—	—
— amount due to a shareholder	—	—	—	3,000
— amounts due to related companies	—	1,268	2,680	7,029
	66	1,317	2,728	17,263

(b) Financial risk management objectives and policies

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

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

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

Currency risk

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

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

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

Assets	**As at 31 March 2008**	**As at 31 March 2009**	**As at 31 March 2010**	**As at 31 December 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	—	773	1,892	22,978

Liabilities	**As at 31 March 2008**	**As at 31 March 2009**	**As at 31 March 2010**	**As at 31 December 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	—	1,280	2,695	14,955

Sensitivity analysis on currency risk

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

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

Impact of RMB	**As at 31 March 2008**	**As at 31 March 2009**	**As at 31 March 2010**	**As at 31 December 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other equity	—	25	40	(401)

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

Credit risk

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

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

The Weldtech Group's concentration of credit risk by geographical location is mainly in the PRC. The Weldtech Group also has concentration of credit risk by customers as approximately 100% of trade receivables and finance lease receivables was due from the Weldtech Group's five largest customers as at 31 March 2009, 31 March 2010 and 31 December 2010 respectively.

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

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

Liquidity risk

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

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

	At 31 December 2010					
	Weighted average interest rate	**Carrying amount**	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	1,003	—	1,003	—	1,003
Receipt in advance	—	4,428	—	4,428	—	4,428
Amount due to a director	—	1,803	1,803	—	—	1,803
Amount due to a shareholder	—	3,000	3,000	—	—	3,000
Amounts due to related companies	—	7,029	7,029	—	—	7,029
		17,263	11,832	5,431	—	17,263

	At 31 March 2010					
	Weighted average interest rate	**Carrying amount**	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	48	—	48	—	48
Amounts due to related companies	—	2,680	2,680	—	—	2,680
		2,728	2,680	48	—	2,728

	At 31 March 2009					
	Weighted average interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	44	—	44	—	44
Amount due to an associate	—	5	5	—	—	5
Amounts due to related companies	—	1,268	1,268	—	—	1,268
		1,317	1,273	44	—	1,317

	At 31 March 2008					
	Weighted average interest rate	Carrying amount	On demand	Less than 1 year	Over 1 year	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to a director	—	66	66	—	—	66

(c) Fair value of financial instruments

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

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

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

The directors consider that the carrying amount of financial assets and financial liabilities recognised in the consolidated financial statements, approximate to their fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2010.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

5. CAPITAL RISK MANAGEMENT

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

The Weldtech Group monitors capital using a gearing ratio, which is the total debts divided by total assets. The Weldtech Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting period are as follows:

	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total debts	66	1,273	2,680	11,832
Total assets	3	1,540	3,724	29,320
Gearing ratio	22.00	0.83	0.72	0.40

Note: Total debts comprise amount due to a director, amount due to an associate, amount due to a shareholder and amounts due to related companies as detailed in Notes 24, 25, 26 and 27 respectively

6. OPERATING SEGMENT

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

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

Turnover from major products

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

	For the year ended 31 March 2008	For the year ended 31 March 2009	For the year ended 31 March 2010	For the period from 1 April 2009 to 31 December 2009	For the period from 1 April 2010 to 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Turnover:					
Sale of goods	—	2,364	—	—	—
Sale of goods under finance lease	—	—	—	—	13,526
Others	—	—	136	136	—
	—	2,364	136	136	13,526

Information about geographical areas

The Weldtech Group's operates in two principal geographical areas — the PRC and Hong Kong.

The Weldtech Group's turnover from external customers by location of operations and information about its non-current assets (excluding deferred tax assets and derivative financial instrument) by location of assets are detailed below:

	For the year ended 31 March 2008 *HK$'000*	For the year ended 31 March 2009 *HK$'000*	For the year ended 31 March 2010 *HK$'000*	For the period from 1 April 2009 to 31 December 2009 *HK$'000* *(Unaudited)*	For the period from 1 April 2010 to 31 December 2010 *HK$'000*
Turnover:					
The PRC	—	320	136	136	13,526
Hong Kong	—	2,044	—	—	—
	—	2,364	136	136	13,526

	As at 31 March 2008 *HK$'000*	As at 31 March 2009 *HK$'000*	As at 31 March 2010 *HK$'000*	As at 31 December 2010 *HK$'000*
Non-current assets:				
The PRC	—	114	178	11,562
Hong Kong	2	3	—	—
	2	117	178	11,562

7. TURNOVER AND OTHER REVENUE

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

	For the year ended 31 March 2008 *HK$'000*	For the year ended 31 March 2009 *HK$'000*	For the year ended 31 March 2010 *HK$'000*	For the period from 1 April 2009 to 31 December 2009 *HK$'000* *(Unaudited)*	For the period from 1 April 2010 to 31 December 2010 *HK$'000*
Turnover:					
Sale of goods	—	2,364	—	—	—
Sale of goods under finance lease	—	—	—	—	13,526
Provision of services	—	—	136	136	—
	—	2,364	136	136	13,526
Other revenue:					
Interest income on finance lease receivables	—	—	—	—	159
Provision of services	—	—	1,711	1,711	—
Sundry income	—	—	—	—	5
	—	—	1,711	1,711	164

8. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived at after charging:

	For the year ended 31 March 2008 HK$'000	For the year ended 31 March 2009 HK$'000	For the year ended 31 March 2010 HK$'000	For the period from 1 April 2009 to 31 December 2009 HK$'000 (Unaudited)	For the period from 1 April 2010 to 31 December 2010 HK$'000
Auditors' remuneration	4	5	11	—	—
Depreciation on owned property, plant and equipment	—	—	1	1	27
Cost of inventories recognised as an expense	—	1,246	—	—	3,835
Staff cost including directors' remuneration:					
Wages and salaries	—	—	49	24	2,550
Pension scheme contributions	—	—	19	10	194
	—	—	68	34	2,744

and after crediting:

	For the year ended 31 March 2008 HK$'000	For the year ended 31 March 2009 HK$'000	For the year ended 31 March 2010 HK$'000	For the period from 1 April 2009 to 31 December 2009 HK$'000 (Unaudited)	For the period from 1 April 2010 to 31 December 2010 HK$'000
Other income:					
Exchange gain	—	—	—	—	65
Others	—	—	2	2	—
	—	—	2	2	65

9. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Directors' emoluments

	For the year ended 31 March 2008 HK$'000	For the year ended 31 March 2009 HK$'000	For the year ended 31 March 2010 HK$'000	For the period from 1 April 2009 to 31 December 2009 HK$'000 (Unaudited)	For the period from 1 April 2010 to 31 December 2010 HK$'000
Mr. Wong Ho Yuen	—	—	—	—	—
Mr. Wong Wai Yin, Willis (resigned on 8 November 2010)	—	—	—	—	—
Mr. Wu Gang (appointed on 28 August 2009)	—	—	—	—	—
Mr. Cheng Lut Tim (appointed on 21 July 2010)	—	—	—	—	—
Mr. Ma Huan (appointed on 25 November 2010)	—	—	—	—	—
	—	—	—	—	—

(b) Five highest paid individuals

	For the year ended 31 March 2008 HK$'000	For the year ended 31 March 2009 HK$'000	For the year ended 31 March 2010 HK$'000	For the period from 1 April 2009 to 31 December 2009 HK$'000 (Unaudited)	For the period from 1 April 2010 to 31 December 2010 HK$'000
Basic salaries and allowances	—	—	49	19	1,313
Pension scheme contributions	—	—	19	8	81
	—	—	68	27	1,394

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

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

10. TAXATION

	For the year ended 31 March 2008 HK$'000	For the year ended 31 March 2009 HK$'000	For the year ended 31 March 2010 HK$'000	For the period from 1 April 2009 to 31 December 2009 HK$'000 (Unaudited)	For the period from 1 April 2010 to 31 December 2010 HK$'000
Current tax:					
Provision for the year/period	—	—	—	—	—

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

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

The statutory income tax rate applicable to the subsidiary of Weldtech Technology located in the PRC is 25%. No provision for current income tax has been made for each year/period as the subsidiary has taxable losses carried forward as at 31 March 2008, 2009 and 2010 and 31 December 2010.

A reconciliation of the income tax expense applicable to (loss)/profit before taxation using the statutory rate for the location in which the Weldtech Group is domiciled is presented below:

Year ended 31 March 2008

	The PRC		Hong Kong		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Loss before taxation	—		(31)		(31)	
Tax at statutory tax rate	—	—	(5)	(17.5)	(5)	(17.5)
Tax loss not recognised	—	—	5	17.5	5	17.5
Tax expense for the year	—	—	—	—	—	—

Year ended 31 March 2009

	The PRC		Hong Kong		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
(Loss)/profit before taxation	(681)		991		310	
Tax at statutory tax rate	(170)	(25.0)	164	16.5	(6)	(2.0)
Tax effect of income not taxable for tax purpose	—	—	(164)	(16.5)	(164)	(52.9)
Tax loss not recognised	170	25.0	—	—	170	54.9
Tax expense for the year	—	—	—	—	—	—

Year ended 31 March 2010

	The PRC		Hong Kong		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
(Loss)/profit before taxation	(1,066)		1,641		575	
Tax at statutory tax rate	(267)	(25.0)	271	16.5	4	0.7
Tax effect of income not taxable for tax purpose	—	—	(271)	(16.5)	(271)	(47.1)
Tax effect of expense not deductible for tax purpose	211	19.8	—	—	211	36.7
Tax effect of tax incentives	(48)	(4.5)	—	—	(48)	(8.4)
Tax loss not recognised	104	9.7	—	—	104	18.1
Tax expense for the year	—	—	—	—	—	—

Period ended 31 December 2009 (Unaudited)

	The PRC		**Hong Kong**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	(592)		1,689		1,097	
Tax at statutory tax rate	(148)	(25.0)	279	16.5	131	11.9
Tax effect of income not taxable for tax purpose	—	—	(279)	(16.5)	(279)	(25.4)
Tax effect of expense not deductible for tax purpose	196	33.1	—	—	196	17.9
Tax effect of tax incentives	(48)	(8.1)	—	—	(48)	(4.4)
Tax expense for the period	—	—	—	—	—	—

Period ended 31 December 2010

	The PRC		**Hong Kong**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation	4,191		(57)		4,134	
Tax at statutory tax rate	1,048	25.0	(9)	(16.5)	1,039	25.1
Tax effect of income not taxable for tax purpose	(1,523)	(36.3)	—	—	(1,523)	(36.8)
Tax effect of expense not deductible for tax purpose	16	0.4	—	—	16	0.4
Tax loss not recognised	459	10.9	9	16.5	468	11.3
Tax expense for the period	—	—	—	—	—	—

As at 31 March 2008, 2009, 2010 and 31 December 2010, the Weldtech Group had unused estimated tax losses of approximately nil respectively available for offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

11. DIVIDEND

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

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF WELDTECH TECHNOLOGY

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of Weldtech Technology is based on the following data:

(a) Basic (loss)/earnings per share

	For the year ended 31 March 2008	For the year ended 31 March 2009	For the year ended 31 March 2010	For the period from 1 April 2009 to 31 December 2009	For the period from 1 April 2010 to 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
(Loss)/profit					
(Loss)/profit for the year/period attributable to the owners of Weldtech Technology for the purpose of basic (loss)/ earnings per share	(31)	439	759	1,187	4,029

	For the year ended 31 March 2008	For the year ended 31 March 2009	For the year ended 31 March 2010	For the period from 1 April 2009 to 31 December 2009	For the period from 1 April 2010 to 31 December 2010
				(Unaudited)	
Number of shares					
Weighted average number of ordinary shares for the purpose of basic (loss)/ earnings per share	4	100	100	100	1,000

	For the year ended 31 March 2008	For the year ended 31 March 2009	For the year ended 31 March 2010	For the period from 1 April 2009 to 31 December 2009	For the period from 1 April 2010 to 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Basic (loss)/earnings per share	(7.75)	4.39	7.59	11.87	4.03

(b) Diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share for the Relevant Periods has been presented in a single line because no potential dilutive ordinary shares were outstanding during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment *HK$'000*
Cost	
As at 1 April 2007, 31 March 2008, and 1 April 2008	—
Additions	3
As at 31 March 2009 and 1 April 2009	3
Additions	8
As at 31 March 2010 and 1 April 2010	11
Additions	527
As at 31 December 2010	538
Accumulated depreciation and impairment	
As at 1 April 2007, 31 March 2008, 31 March 2009 and 1 April 2009	—
Charge for the year	1
As at 31 March 2010 and 1 April 2010	1
Charge for the period	27
As at 31 December 2010	28
Net book value	
As at 31 December 2010	510
As at 31 March 2010	10
As at 31 March 2009	3
As at 31 March 2008	—

14. INTEREST IN AN ASSOCIATE

	As at 31 March 2008 *HK$'000*	As at 31 March 2009 *HK$'000*	As at 31 March 2010 *HK$'000*	As at 31 December 2010 *HK$'000*
Unlisted shares, at cost	2	3	—	—

Note:

(a) The summarised financial information in respect of the Weldtech Group's associate is set out below:

	As at 31 March 2008 *HK$'000*	As at 31 March 2009 *HK$'000*	As at 31 March 2010 *HK$'000*	As at 31 December 2010 *HK$'000*
Total assets	10	44	—	—
Total liabilities	—	(34)	—	—
Net assets	10	10	—	—
Weldtech Group's share of net assets of an associate	2	3	—	—

	For the year ended 31 March 2008 *HK$'000*	For the year ended 31 March 2009 *HK$'000*	For the year ended 31 March 2010 *HK$'000*	For the period from 1 April 2009 to 31 December 2009 *HK$'000* *(Unaudited)*	For the period from 1 April 2010 to 31 December 2010 *HK$'000*
Turnover	—	—	—	—	—
Loss for the year/period	—	—	—	—	—
Weldtech Group's share of loss of an associate for the year/period	—	—	—	—	—
Weldtech Group's share of other comprehensive income of an associate for the year/period	—	—	—	—	—

(b) As at 31 March 2008 and 2009, the Weldtech Group had interests in the following associate:

Company name	**Place and date of registration and operations**	**Issued and paid up/ registered capital**	**Percentage of equity attributable to the Weldtech Group**	**Principal activities**
Liburdi Asia Limited	Hong Kong, 5 February 2007	HK$10,000	2008: 23% 2009: 33%	Investment holding

In September 2009, the Weldtech Group transferred the 33% interest in Liburdi Asia Limited to a related party for proceeds of approximately HK$3,300. The Weldtech Group has not retained any interest in Liburdi Asia Limited. No gain or loss was recognised as a result of the transaction.

15. GOODWILL

	Goodwill
	HK$'000
Cost	
As at 1 April 2007, 31 March 2008 and 1 April 2008	—
Acquisition of a subsidiary	111
As at 31 March 2009, 31 March 2010 and 31 December 2010	111
Accumulated impairment loss	
As at 1 April 2007, 31 March 2008, 31 March 2009, 31 March 2010 and 31 December 2010	—
Carrying amount	
As at 31 December 2010	111
As at 31 March 2010	111
As at 31 March 2009	111
As at 31 March 2008	—

For the purpose of impairment testing, goodwill has been allocated to individual cash-generating unit determined based on related segment. The carrying amount of goodwill as at 31 March 2008, 2009 and 2010 and 31 December 2010 is all allocated to the WFOE acquired by Weldtech Technology in April 2008.

The goodwill associated with the WFOE arose when that business was acquired by Weldtech Technology in April 2008. The recoverable amount of the WFOE has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a ten-year period, and a discount rate of 23% per annum. Cash flows beyond that ten-year period have been extrapolated using nil growth rate per annum. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

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

Discount rates — the discount rates used are before tax and reflect specific risks relation to the relevant units.

16. TRADE RECEIVABLES

	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	476	238	74

The aged analysis of trade receivables is as follows:

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
0–90 days	—	—	—	40
91–180 days	—	476	—	—
181–365 days	—	—	—	—
Over 365 days	—	—	238	34
	—	476	238	74

According to the credit rating of different customers, the Weldtech Group allows a range of credit periods not exceeding 90 days to its trade customers. Trade receivables are denominated in both HK$ and RMB.

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

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Overdue by:				
1–90 days	—	476	—	—
91–180 days	—	—	—	—
181–365 days	—	—	—	—
Over 365 days	—	—	238	34
	—	476	238	34

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Prepayments	—	—	—	4,534
Other receivables	—	42	—	1,637
	—	42	—	6,171

18. INVENTORIES

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Raw materials	—	—	—	196
Work in progress	—	9	1,044	—
	—	9	1,044	196

19. FINANCE LEASE RECEIVABLES

	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current finance lease receivables	—	—	—	2,772
Non-current finance lease receivables	—	—	—	10,941
	—	—	—	13,713

Leasing arrangements

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

Amounts receivable under finance leases

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 December 2010	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Not later than 1 year	—	—	—	2,999	—	—	—	2,772
Later than 1 year and not later than 5 years	—	—	—	12,332	—	—	—	10,503
Over 5 years	—	—	—	711	—	—	—	438
	—	—	—	16,042	—	—	—	13,713
Less: unearned finance income	—	—	—	(2,329)	n/a	n/a	n/a	n/a
Present value of minimum lease payments receivable	—	—	—	13,713	—	—	—	13,713
Allowance for uncollectible lease payment	—	—	—	—	—	—	—	—
	—	—	—	13,713	—	—	—	13,713

Unguaranteed residual values of assets leased under finance leases as at 31 December 2010 are estimated at nil.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8.2% per annum.

Finance lease receivable balances are secured over the energy saving equipment leased. The Weldtech Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The finance lease receivables as at 31 December 2010 are neither past due nor impaired.

20. AMOUNTS DUE FROM DIRECTORS

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Mr. Wong Ho Yuen	—	838	1,350	—
Mr. Wong Wai Yin, Willis	—	52	802	—
Mr. Wu Gang	—	—	44	14
	—	890	2,196	14

The maximum amount outstanding during the years ended 31 March 2008, 2009 and 2010 and the period ended 31 December 2010 is as follows:

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Mr. Wong Ho Yuen	—	838	1,350	1,350
Mr. Wong Wai Yin, Willis	—	52	802	802
Mr. Wu Gang	—	—	44	44

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

21. AMOUNTS DUE FROM RELATED COMPANIES

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
W Brothers Holdings Co., Limited	—	—	9	—
Liburdi (Shanghai) Co., Ltd.	—	—	54	—
	—	—	63	—

The maximum amounts outstanding during the years ended 31 March 2008, 2009 and 2010 and the period ended 31 December 2010 are as follows:

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
W Brothers Holdings Co., Limited	—	—	9	9
Liburdi (Shanghai) Co., Ltd.	—	—	54	54

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

22. CASH AND CASH EQUIVALENTS

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Cash and cash equivalents	1	6	5	8,531

Majority of cash at bank and in hand are denominated in Hong Kong dollars. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE AND OTHER PAYABLES

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
Trade payables	—	44	48	926
Other payables	—	—	—	77
Accruals	5	13	40	16
	5	57	88	1,019

The aged analysis of trade payables is as follows:

	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 31 March 2010 HK$'000	As at 31 December 2010 HK$'000
0–90 days	—	12	—	766
91–180 days	—	—	4	62
181–365 days	—	32	—	82
Over 365 days	—	—	44	16
	—	44	48	926

The trade payables are interest-free and are normally settled on or before the delivery and may allow to settle within 90 days.

24. AMOUNT DUE TO A DIRECTOR

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

25. AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate is unsecured, interest-free and repayable on demand.

26. AMOUNT DUE TO A SHAREHOLDER

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

27. AMOUNTS DUE TO RELATED COMPANIES

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

28. SHARE CAPITAL

	Number of shares	Share capital
		HK$
Authorised:		
Ordinary shares at HK$1 each	10,000	10,000
Issued and fully paid:		
At 1 April 2007, 31 March 2008 and 1 April 2008	4	4
Issue of ordinary shares	96	96
At 31 March 2009, 31 March 2010 and 1 April 2010	100	100
Issue of ordinary shares	900	900
At 31 December 2010	1,000	1,000

29. ACQUISITION OF A SUBSIDIARY

On 28 April 2008, Weldtech Technology acquired 80% of the entire share capital of Weldtech Technology (Shanghai) Co., Ltd. for a total consideration of approximately HK$175,000.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amounts and fair value
	HK$'000
Net assets acquired:	
Cash and cash equivalents	222
Amount due to a related company	(142)
Net assets	80
Less: Non-controlling interests	(16)
Goodwill	111
	175
Total consideration satisfied by:	
Cash	175
Net cash inflow arising on acquisition:	
Cash consideration paid	(175)
Cash acquired	222
	47

Notes:

(a) For the year ended 31 March 2009, the subsidiary acquired during the year contributed approximately HK$321,000 and HK$681,000 to the Weldtech Group's turnover and loss for the year from the date of acquisition to the end of the reporting period.

(b) If the acquisition had been completed on 1 April 2008, total Weldtech Group's turnover for the year ended 31 March 2009 would have been approximately HK$2,364,000 and profit for the year would have been approximately HK$309,000. The proforma information is for illustrative purpose only and is not necessarily an indication of turnover and results of the Weldtech Group that acquisition been completed on 1 April 2008 nor is it intended to be a projection of future results.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Weldtech Group had entered into the following related party transactions, which in the opinion of the directors of Weldtech Technology, were carried out on normal commercial terms and in the ordinary course of the Weldtech Group.

(a) Compensation of key management personnel of the Weldtech Group, including directors' remuneration as detailed in Note 9 above.

	For the year ended 31 March 2008	**For the year ended 31 March 2009**	**For the year ended 31 March 2010**	**For the period from 1 April 2009 to 31 December 2009**	**For the period from 1 April 2010 to 31 December 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Basic salaries and allowances	—	—	58	25	1,313
Pension scheme contributions	—	—	22	9	81
Total compensation paid to key management personnel	—	—	80	34	1,394

(b) In September 2009, the Weldtech Group transferred the 33% interest in Liburdi Asia Limited to a related party for proceeds of approximately HK$3,300. The Weldtech Group has not retained any interest in Liburdi Asia Limited. No gain or loss was recognised as a result of the transaction.

31. CONTINGENT LIABILITIES

As at 31 March 2008, 2009 and 2010 and 31 December 2010, the Weldtech Group did not have contingent liabilities.

32. OPERATING LEASE COMMITMENTS

As at 31 March 2008, 2009, 2010 and 31 December 2010, the Weldtech Group had outstanding commitments payable under non-cancellable operating leases in respect of properties rented with lease terms ranging from 1–3 years which fall due as follows:

	As at 31 March 2008	**As at 31 March 2009**	**As at 31 March 2010**	**As at 31 December 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	—	—	332	598
In the second to fifth years, inclusive	—	—	450	204
	—	—	782	802

33. CAPITAL COMMITMENTS

As at 31 March 2008, 2009 and 2010 and 31 December 2010, the Weldtech Group did not have any significant capital commitments.

34. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, there was no significant event took place subsequent to the 31 December 2010.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Weldtech Group in respect of any period subsequent to 31 December 2010 and no dividends or other distributions have been declared by the Weldtech Group in respect of any period subsequent to 31 December 2010.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Review of Historic Results of Operations

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

Results for the year

The Group is principally engaged in treasury investments and the provision of loan finance. For management purposes, the Group is currently organized into two operating divisions by nature of the business, namely, treasury investment and loan financing. These divisions are the basis on which, the Board of Directors, being the chief operating decision maker, reviews the operating results and financial information.

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

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

Total assets

At 31 December 2010, the total assets increased to approximately HK$397.1 million (2009: approximately HK$232.4 million). As at 31 December 2010, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$16.7 million (2009: Nil) and HK$28.2 million (2009: approximately HK$109.9 million), respectively. The available-for-sale investments represent the fair value of an equity investment of a listed entity in Hong Kong at as 31 December 2010. The financial assets at fair value through profit or loss represent held-for-trading investments in two equity securities listed in Hong Kong. As at 31 December 2010, the Group held mortgage loan and loan receivables amounting to approximately HK$129.5 million (2009: approximately HK$69.8 million) and approximately HK$124 million (2009: approximately HK$10 million), respectively.

Liquidity and financial resources

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

Capital structure

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

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

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

Pursuant to the Open Offer, the Company has issued a total of 449,999,997 Options to the subscribers of the offer shares. Option holders are entitled to subscribe in cash for the zero-coupon convertible bonds of the Company during the period from 5 May 2010 to 4 May 2011 (the "Convertible Bonds"). The Convertible Bonds, if fully subscribed, may be converted into a maximum of 449,999,997 new shares of the Company of HK$0.1 each ("Share") at the initial conversion price of HK$0.1 per Share. These Convertible Bonds will mature on 31 December 2012. The Company has sole and absolute discretion to redeem any outstanding Convertible Bonds on the maturity date at 100% of their principal amount or by issuing new Shares to the respective Convertible Bond holders at the conversion price.

During the year under review, 47,793,618 Options were exercised by the Option holders, and the Convertible Bonds in a principal amount of HK$4,779,362 were issued accordingly.

During the current year, Convertible Bonds in the principal amount of approximately HK$4,720,036 were converted into 47,200,358 Shares and as at 31 December 2010, the Company had Convertible Bonds in the principal amount of approximately HK$59,326 outstanding and 402,206,379 Options outstanding. The exercise in full of these outstanding options would result in further issuance of Convertible Bonds in the principal amount of approximately HK$40,220,638, which is convertible into a maximum of 402,206,379 new Shares.

On 10 May 2010, the Company and Fortune (HK) Securities Limited (as the placing agent) entered into a placing agreement in respect of the placement of 562,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.10 each at an exercise price of HK$0.18 (the "Warrant Placing Agreement"). In view of the change in market conditions, the placing agent and the Company agreed to vary the Warrant Placing Agreement by terminating the Warrant Placing Agreement and entering into the Supplemental Warrant Placing Agreement on 7 June 2010, pursuant to which the initial exercise price was amended from HK$0.18 to HK$0.147 per warrant. The placement was completed on 22 June 2010 and the warrants issued shall expire on 21 June 2012. No warrant had been exercised during the year ended 31 December 2010.

On 12 August 2010, the Company and Kingston Securities Limited (as the placing agent) entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 1,135,000,000 placing shares ("Placing Share(s)") at a price of HK$0.11 per Placing Share. On 28 December 2010, the Company completed the placing of 1,135,000,000 shares of the Company at a price of HK$0.11 per Placing Share. The net proceeds from the placing amounted to approximately HK$121.73 million.

Charge on group assets and contingent liabilities

The Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2010.

Capital commitment

The Group did not have any capital commitment as at 31 December 2010.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group disposed its 100% equity interest in Tack On Limited, which is principally engaged in securities investment, to a third party for a consideration of HK$9,700,000 during the year ended 31 December 2010. Saved for the disposal of Tack On Limited, the Group did not have any material acquisitions or disposal of subsidiaries and associated companies during the year ended 31 December 2010.

Significant investments held

As at 31 December 2010, the Group held available-for-sale financial assets amounted to approximately HK$16.7 million (2009: Nil) and financial asset at fair value through profit or loss amounted to approximately HK$28.2 million (2009: approximately HK$109.9 million).

Fund raising activities

As disclosed under the section headed "Capital Structure" above, during the year under review, the Company had conducted an open offer of shares entitling the subscribers thereof a further Option to subscribe for Convertible Bonds. The aggregate gross proceeds from the open offer were HK$56.25 million. Assuming full exercise of the Option, an additional maximum amount of HK$45 million (before expenses) will be raised. As at 31 December 2010, the net proceeds from the open offer (approximately HK$54 million) and from the exercise of the Option (approximately HK$4.8 million) had been applied as general working capital of the Group as originally intended.

In addition, the Company entered into the supplemental warrant placing agreement with Fortune (HK) Securities Limited on 7 June 2010 in relation to the placing of 562,000,000 Warrants, at the warrant issue price of HK$0.01 per Warrant. The warrant placement was completed on 22 June 2010, generating net proceeds of approximately HK$5.3 million which were applied as general working capital of the Group as originally intended. The warrant exercise price is HK$0.147 per Share (subject to adjustment) and the Warrants may be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants. No Warrant had been exercised during the period ended 31

December 2010. On such basis, further net proceeds of up to a maximum of approximately HK$82.6 million from the issue of the new shares upon the exercise of the subscription rights attached to the Warrants may be raised in future.

On 12 August 2010, the Company and Kingston Securities Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 1,135,000,000 placing shares ("Placing Share(s)") at a price of HK$0.11 per Placing Share. On 28 December 2010, the Company completed the placing of 1,135,000,000 shares of the Company at a price of HK$0.11 per Placing Share. The net proceeds from the placing amounted to approximately HK$121.73 million.

Staff and remuneration

The Group had 11 (2009: 12) employees at 31 December 2010 and total staff costs incurred during the year amounted to approximately HK$3.8 million (2009: approximately HK$4.6 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option granted or exercised during the year under review.

Foreign currency risk management

All assets were denominated in Hong Kong dollars except for some bank balances, financial assets at fair value through profit and loss and other receivables which were denominated in United States dollars. Considering the linked exchange rate system between HK$ and US$, the directors consider that the Group's exposure to foreign exchange currency rate risk was insignificant.

Prospects and future plans for material investments or capital assets

It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value to the Shareholders.

On 23 February 2011, Wise Planner Limited ("Wise Planner"), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with the vendors (the "Vendors"), the guarantors (the "Guarantors") and the Company. Pursuant to the Sale and Purchase Agreement, Wise Planner has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the entire issued share capital of Weldtech Technology Co. Limited ("Weldtech") at a total consideration of HK$2,800,000,000. Weldtech is an investment holding company holding the entire equity interest in 日滔貿易(上海)有限公司, a wholly foreign-owned enterprise ("WFOE") established in the PRC (collectively referred to as "Weldtech Group"). The WFOE is currently actively developing new technology based on ultra performance plant control ("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. 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.

Except for the acquisition of Weldtech Group as disclosed above, the Board confirms that the Company has no future plan and has not entered into any definitive agreement in respect of any material investment or capital assets.

Hong Kong's real property market has enjoyed a boom over the year under review which in turn has brought a remarkable increase in the prospect of the Group's mortgage finance businesses. The management of the Group is optimistic about the Hong Kong real property market in the long run. The Group will continue developing this business while also striving towards strengthening its overall financial position and focusing on the treasury investments. The Directors has continued to review its existing businesses from time to time and seek potential investment opportunities that could enhance the value to the shareholders.

Year ended 31 December 2009 compared with year ended 31 December 2008

Results for the year

The principal businesses of the Group remained mortgage financing and treasury investments. For management purposes, the Group is currently organized into two operating divisions by nature of the business, namely, treasury investment and loan financing. These divisions are the basis on which, the Board of Directors, being the chief operating decision maker, reviews the operating results and financial information.

The competition in mortgage finance market remained keen and interest margin continued to remain low. The revenue contributed by mortgage financing record a slightly decrease to approximately HK$1.7 million (2008: approximately HK$1.8 million) and the profit contributed by mortgage financing increased to approximately HK$1.7 million (2008: approximately HK$1.4 million).

The revenue contributed by the treasury investments dropped to approximately HK$2.1 million (2008: approximately HK$5.8 million) as a result of decrease in securities trading activities. The profit contributed by treasury investments sharply increased to HK$13.3 million (2008: HK$3.4 million).

Total assets

At 31 December 2009, the total assets increased to approximately HK$232.4 million (2008: HK$230.3 million). During the year, the Company disposed those convertible bonds with zero coupon, or with coupon rates ranging from 1% to 2%, in the amount of HK$5,371,000, HK$16,144,000 and HK$9,001,000 denominated in USD, SGD and RMB, respectively. On the contrary, the Company purchased another convertible bond with zero coupon rate of US$2.5 million. In addition, the Company purchased a structured secured loan issued by a listed company in Hong Kong from a secondary market prior to its Initial Public Offering. The structured secured loan entitled the Company to a guaranteed interest return on the principal if the Initial Public Offering was successful and a put option to request the issue to redeem the loan at a fixed amount, if the Initial Public Offering was not successful. The final maturity of the loan is 31 October 2010. The structured secured loan is denominated in USD and carrying a fixed interest rate of 4.875%. Upon the successful Initial Public Offering of the issuer of the loan, the Company received the guaranteed interest return and the put option expired.

The Group maintained a strong liquidity position throughout the year. At the end of financial period, the Group held trading investments amounting to approximately HK$110 million (2008: approximately HK$40.3 million) and bank balances amounting to approximately HK$23 million (2008: approximately HK$122.5 million).

Outlook

The Group continues to maintain its traditional principal activities after the takeover by new management in 2009. However, the management is conducting a review on the business operations and financial position of the Group, with a view to formulating a business plan and strategy suitable for the Group. At the same time, the management is evaluating all and any other options, including but not limited to expanding the current financial services business of the Group, commencing real estate development business or expanding into other businesses on an opportunistic basis.

Capital structure

Currently, the Group is debt-free. There were no charges on the Group's assets and the Group had no material capital commitment or contingent liabilities outstanding at the end of the year (2008: Nil).

The net asset value of the Group at 31 December 2009 increased by 1.1% to approximately HK$231.1 million (2008: approximately HK$228.6 million), with the net asset value per share standing at approximately HK$1.02 (2008: approximately HK$1.02).

No material acquisition nor disposal of subsidiary or associated company in the course of the financial year.

Staff and remuneration

The Group had 12 (2008: 10) employees at 31 December 2009 and total staff costs incurred during the year amounted to approximately HK$4.6 million (2008: approximately HK$2.8 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option granted or exercised during the year under review.

Foreign currency risk management

As at 31 December 2009, all assets were denominated in Hong Kong dollars except for the bank balances, available-for-sale investments, convertible bonds, structured secured loan and interest receivables which were denominated in United States dollars. Considering the linked exchange rate system between HK$ and US$, the directors consider that the Group's exposure to foreign exchange currency rate risk was insignificant.

Prospects and future plans for material investments or capital assets

Looking ahead, although the global economies show signs of stabilization, there are still uncertainties. Implementation of economic stimulus measures in Mainland China continues to bear significant impact on the outlook for Hong Kong. Competition in the financial markets continues to be intensive. Consequently, the management continues to exercise caution when extending credit. To further strengthen our core businesses, the management will take advantage of its strong balance sheet and will look for potential acquisition and investment opportunities and will maintain an appropriate cost containment discipline.

During the year ended 31 December 2009, the Company did not have any plans for material investments.

Year ended 31 December 2008 compared with year ended 31 December 2007

Results for the year

The principal businesses of the Group remained mortgage finance and treasury investments. For management purposes, the Group is currently organized into two operating divisions by nature of the business, namely, treasury investment and loan financing. These divisions are the basis on which, the Board of Directors, being the chief operating decision maker, reviews the operating results and financial information.

The competition in mortgage finance market remained keen and interest margin continued to remain low. The revenue contributed by mortgage finance increased to HK$1.8 million (2007: HK$1.2 million) and the profit contributed by mortgage finance increased to HK$1.4 million (2007: HK$1.2 million).

The revenue contributed by the treasury investments dropped to HK$5.8 million (2007: HK$10.4 million) as a result of decrease in securities trading activities. The profit contributed by treasury investments decreased to HK$3.4 million (2007: HK$10.0 million).

Total assets

At 31st December, 2008, total assets decreased slightly to HK$230.0 million (2007: HK$231.0 million). The Group maintained a very strong liquidity position throughout the year. At the balance sheet date, the Group had held-for-trading investments amounting to HK$40.3 million (2007: HK$8.0 million) and bank balances amounting to HK$122.5 million (2007: HK$169.2 million).

Outlook

The Group continues to maintain its traditional principal activities after the takeover by new management during 2007. However, management is conducting a review of the business operations and financial position of the Group, with a view to formulating a business plan and strategy suitable for the Group. At the same time, management is evaluating all and any other options, including but not limited to expanding the current financial services business of the Group, commencing real estate development business or expanding into other businesses on an opportunistic basis.

Capital structure

Currently, the Group is debt-free. There were no charges on the Group's assets and the Group had no material capital commitment or contingent liabilities outstanding at the end of the year (2007: Nil).

The net asset value of the Group at 31st December, 2008 decreased by 0.3% to HK$228.6 million (2007: HK$229.3 million), with the net asset value per share standing at HK$1.02 (2007: HK$1.02).

No material acquisition nor disposal of subsidiary or associated company in the course of the financial year.

Staff and remuneration

The Group had 10 (2007: 9) employees at 31st December, 2008 and total staff costs incurred during the year amounted to HK$2.8 million (2007: HK$4.2 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option granted or exercised during the year after the adoption of the share option scheme approved in the annual general meeting of the Company held on 22nd May, 2008.

Foreign currency risk management

All assets were denominated in Hong Kong dollars except for the bank balances, available-for-sale investments, convertible bonds investments, structured secured loan and interest receivables which were denominated in United States dollars and some of the convertible bonds investments which were denominated in Singapore dollars and Chinese Renminbi Yuan. Considering the linked exchange rate system between HK$ and US$ and the insignificant balances of the convertible bonds investments denominated in Singapore dollars and Chinese Renminbi Yuan, the directors consider that the Group's exposure to foreign exchange currency rate risk was insignificant.

Prospects and future plans for material investments or capital assets

The uncertainties relating to the future course of interest rates and the implementation of economic stimulus measures in Mainland China in response to its changing economic situation continue to bear significant impact on the outlook for the Hong Kong economy. In addition, the recent turmoil in the US subprime mortgage market continues to have an impact on the Hong Kong economy and more generally on the global equity and credit markets. Consequently, management continues to exercise caution in the extension of credit and is comfortable with the level of the Company's activities. While the Company always stay alert to the challenges as well as opportunities brought about by these uncertainties, the Company remains cautiously optimistic the Group should be able to progress well in the year 2009.

During the Year ended 31 December 2008, the Company did not have any plans for material investments.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE WELDTECH GROUP

The following discussion and analysis should be read in conjunction with the financial information of the Weldtech Group for the three years ended 31 March 2008, 2009 and 2010 and the nine months ended 31 December 2010 as set out in the Appendix III of this circular.

Review of Historic Results of Operations

Nine months ended 31 December 2010 compared with nine months ended 31 December 2009

Revenue

Revenue for the nine months ended 31 December 2010 represents revenue generated from the provision of UPPC system and energy saving solutions for 3 projects commenced during the period, namely those for Shui On Group at Corporate Avenue (企業天地), Shanghai Hua Hong NEC Electronics Company, Limited and The Legendale Hotel Group. Revenue for the nine months ended 31 December 2009 arose from the rendering of administrative and management services which was ceased during the period.

Selling expenses

Selling expenses for the nine months ended 31 December 2010 mainly represents salary of sales staff, travelling expenses, exhibition fees, etc. The substantial increase compared to corresponding period in previous year was due to the Weldtech Group commenced the UPPC energy saving business during the period. Insignificant selling expenses was incurred for the nine months ended 31 December 2009 as the Weldtech Group was solely engaged in the rendering of administrative and management services.

Administrative expenses

Administrative expenses for the nine months ended 31 December 2010 mainly represents salary of administrative staff, travelling expenses, office expenses, rent, building management fee, etc. The substantial increase compared to corresponding period in previous year was due to the Weldtech Group commenced the UPPC energy saving business during the period. The substantial increase compared to corresponding period in previous year was in line with the growth in business scope as a result of the Weldtech Group commenced the UPPC energy saving business during the period. Insignificant administrative expenses was incurred for the nine months ended 31 December 2009 as the Weldtech Group was solely engaged in the rendering of administrative and management services.

Segment information

No segment information is presented as Weldtech Group's revenue for the nine months ended 31 December 2010 was derived solely from provision of UPPC system and energy saving solutions in PRC.

Liquidity and financial resources

For the nine months ended 31 December 2010, Weldtech Group financed the operations and capital expenditures with internally generated resources, amount due to related companies, amount due to a shareholder and amount due to a director.

As at 31 December 2010, Weldtech Group held bank balances amounting to approximately HK$8.5 million and did not have any bank borrowings. Gearing ratio of the Weldtech Group as at 31 December 2010, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was zero.

Charge on assets and contingent liabilities

Weldtech Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2010.

Capital commitment

Weldtech Group did not have any capital commitment as at 31 December 2010.

Prospects for new business

According to the Weldtech Group management, for the period from 1 April 2010 to 31 December 2010, the Weldtech Group has been focusing on the UPPC business and successfully launched the first UPPC project in PRC. After Completion, the Weldtech Group will become a subsidiary of the Company and the Weldtech Group management is expected to commence generating revenue from the provision of the UPPC system and energy saving solutions.

Plans for material investments

Weldtech Group completed the construction of the first UPPC system in PRC 2010 and completed the installation of the key production equipment at November 2010. Weldtech Group plans to construct of two additional UPPC systems by March 2011. The Weldtech Group's management expects that part of the expenditure will be funded by internal resources.

Material acquisitions and disposals of subsidiaries and associated companies

Weldtech Group did not have any material acquisitions or disposal of subsidiaries and associated companies during the nine months ended 31 December 2010.

Significant investments held

Weldtech Group did not have any significant investments held as at 31 December 2010.

Staff and remuneration

Weldtech Group had 37 employees at 31 December 2010 and total staff costs incurred during the period amounted to approximately HK$2.7 million. Weldtech Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice.

Foreign currency risk management

The Weldtech Group was not exposed to material foreign currency risk as the main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi. The Weldtech Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the nine months ended 31 December 2010.

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

Revenue

Revenue for the year ended 31 March 2010 arose from the rendering of administrative and management services which was ceased during the year. Revenue for the year ended 31 March 2009 represents revenue generated from the trading of natural gas preheating system and other machineries.

Selling expenses

Selling expenses for the year ended 31 March 2010 mainly represents exhibition fees, technical service fee, etc. No selling expenses was noted for the year ended 31 March 2009.

Administrative expenses

Administrative expenses for the year ended 31 March 2010 mainly represents research and development expenses, office expenses, travelling expenses, etc. The increase was mainly contributed by the increase in expenses for salaries, staff welfare, office expenses, travelling, consultancy fee and tele-communications mainly because the Weldtech Group was in the course of preparing to start up its operation for the UPPC business.

Segment information

No segment information is presented as Weldtech Group's revenue for the year ended 31 March 2010 was derived solely from the rendering of administrative and management services.

Liquidity and financial resources

For the year ended 31 March 2010, Weldtech Group financed the operations and capital expenditures with internally generated resources and amount due to related companies.

As at 31 March 2010, Weldtech Group held bank balances amounting to approximately HK$5,000 and did not have any bank borrowings. Gearing ratio of the Weldtech Group as at 31 March 2010, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was zero.

Charge on assets and contingent liabilities

Weldtech Group did not have any charges on its assets and there were no contingent liabilities as at 31 March 2010.

Capital commitment

Weldtech Group did not have any capital commitment as at 31 March 2010.

Material acquisitions and disposals of subsidiaries and associated companies

Weldtech Group did not have any material acquisitions or disposal of subsidiaries and associated companies during the year ended 31 March 2010.

Prospects for new business

For the year ended 31 March 2010, Weldtech Group was engaged in rendering of administrative and management services and did not actively introduce or announce any new products and services.

Plans for material investments

During the year ended 31 March 2010, except for commenced the construction of the first UPPC system in PRC, the Weldtech Group did not have any plans for material investments.

Significant investments held

Weldtech Group did not have any significant investments held as at 31 March 2010.

Staff and remuneration

Weldtech Group had 37 employees at 31 March 2010 and total staff costs incurred during the year amounted to approximately HK$68,000. Weldtech Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice.

Foreign currency risk management

The Weldtech Group was not exposed to material foreign currency risk as the main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi. The Weldtech Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the year ended 31 March 2010.

Year ended 31 March 2009 compared with year ended 31 March 2008

Revenue

Revenue for the year ended 31 March 2009 represents revenue generated from the one-off sale of natural gas preheating system and other machineries. No revenue was noted for the year ended 31 March 2008.

Administrative expenses

Administrative expenses for the year ended 31 March 2010 mainly represents research and development expenses and other miscellaneous office expenses. The increase was mainly contributed by the increase in expenditures on research and development.

Segment information

No segment information is presented as Weldtech Group's revenue for the year ended 31 March 2009 was derived solely from the trading of natural gas preheating system and other machineries.

Liquidity and financial resources

For the year ended 31 March 2009, Weldtech Group financed the operations and capital expenditures with internally generated resources and amount due to related companies.

As at 31 March 2009, Weldtech Group held bank balances amounting to approximately HK$6,000 and did not have any bank borrowings. Gearing ratio of the Weldtech Group as at 31 March 2009, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was zero.

Charge on assets and contingent liabilities

Weldtech Group did not have any charges on its assets and there were no contingent liabilities as at 31 March 2009.

Capital commitment

Weldtech Group did not have any capital commitment as at 31 March 2009.

Material acquisitions and disposals of subsidiaries and associated companies

Weldtech Group did not have any material acquisitions or disposal of subsidiaries and associated companies during the year ended 31 March 2009.

Prospects for new business

For the year ended 31 March 2009, Weldtech Group was engaged in the trading of natural gas preheating system machinery which was also ceased during the year. No other business activities or products had been introduced during the year.

Plans for material investments

During the year ended 31 March 2009, the Weldtech Group did not have any plans for material investments.

Significant investments held

Weldtech Group did not have any significant investments held as at 31 March 2009.

Staff and remuneration

Weldtech Group had 2 employees at 31 March 2009 and total staff costs incurred during the year was nil.

Foreign currency risk management

The Weldtech Group was not exposed to material foreign currency risk as the main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi. The Weldtech Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the year ended 31 March 2009.

Year ended 31 March 2008

Revenue

No revenue was noted for the year ended 31 March 2008.

Administrative expenses

Administrative expenses for the year ended 31 March 2008 mainly represents insignificant auditors' remuneration and other miscellaneous office expenses.

Segment information

No segment information is presented as no revenue was generated by Weldtech Group for the year ended 31 March 2008.

Liquidity and financial resources

For the year ended 31 March 2008, Weldtech Group financed the operations and capital expenditures with internally generated resources.

As at 31 March 2008, Weldtech Group held bank balances amounting to approximately HK$1,000 and did not have any bank borrowings. Gearing ratio of the Weldtech Group as at 31 March 2008, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was zero.

Charge on assets and contingent liabilities

Weldtech Group did not have any charges on its assets and there were no contingent liabilities as at 31 March 2008.

Capital commitment

Weldtech Group did not have any capital commitment as at 31 March 2008.

Material acquisitions and disposals of subsidiaries and associated companies

Weldtech Group did not have any material acquisitions or disposal of subsidiaries and associated companies during the year ended 31 March 2008.

Significant investments held

Weldtech Group did not have any significant investments held as at 31 March 2008.

Staff and remuneration

Weldtech Group had no employees at 31 March 2008 and no staff costs was incurred during the year ended 31 March 2008.

Foreign currency risk management

The Weldtech Group was not exposed to material foreign currency risk as the main operations of the Weldtech Group were in the PRC and most of the transactions were denominated in Renminbi. The Weldtech Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the year ended 31 March 2008.

OTHER FINANCIAL INFORMATION OF THE ENLARGED GROUP

Property Interest

Grant Sherman Appraisal Limited, an independent property valuer, has valued the property interests attributable to the Enlarged Group as at 31 March 2011, all of which are leased, as having no commercial value. The text of its letter summary of valuation and valuation certificates are set out in "Appendix V — Property Valuation Report on the Property Interests of the Enlarged Group" to this Circular.

Working Capital

Taking into account the financial resources available to the Enlarged Group, including the internally generated funds, cash and cash equivalents on hand, the available banking facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

Indebtedness

As at the close of business on 30 April 2011, being the latest practicable date for the purposes of this statement of indebtedness, the Group had no outstanding indebtedness.

As at the close of business on 30 April 2011, being the latest practicable date for the purpose of this statement of indebtedness, the Weldtech Group had no outstanding indebtedness.

Save as disclosed above and Apart from intra-group liabilities, as at the close of business on 30 April 2011, the Enlarged Group did not have any outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, or hire purchase or finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

The Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position or contingent liabilities since 30 April 2011 up to the Latest Practicable Date.

Material Adverse Change

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The following is the text of the unaudited pro forma financial information of the Enlarged Group, prepared for the purpose of inclusion in this circular, received from the reporting accountants of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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

31 May 2011

The Board of Directors
The Hong Kong Building and Loan Agency Limited
Room 3501, 35/F
China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of The Hong Kong Building and Loan Agency Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Weldtech Technology Co. Limited (the "Weldtech Technology") and its subsidiary (the "Weldtech Group") (together with the Group hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital of Weldtech Technology and all obligations, liabilities and debts owing or incurred by the Weldtech Group (the "Acquisition") might have affected the financial information presented, for inclusion as Appendix IV of the circular of the Company dated 31 May 2011 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 171 and 182 of Appendix IV to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rules 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion as required by Rule 4.29(7) of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owned to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

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

- the financial position of the Enlarged Group as at 31 December 2010 or any future date; or
- the financial results and cash flows of the Enlarged Group for the year ended 31 December 2010 or for any future period.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

1. Introduction

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with the Rules 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 31 December 2010 for the consolidated statement of financial position and 1 January 2010 for the consolidated statement of comprehensive income and consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the audited consolidated financial information of the Group as at 31 December 2010 as set out in Appendix I to the Circular and audited consolidated financial information of the Weldtech Group as at 31 December 2010 as set out in Appendix II, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 31 December 2010 and to describe the actual financial results and cash flows of the Enlarged Group that would have been attained has the Acquisition been completed on 1 January 2010, nor purport to predict the Enlarged Group's future financial position or results of operations.

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

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

(I) *Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group*

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming that the Acquisition has been completed on 31 December 2010. The information is based on the audited financial statements of the Group as at 31 December 2010 as set out in Appendix I and the audited financial statements of the Weldtech Group as at 31 December 2010 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	Audited Consolidated Statement of Financial Position of the Group as at 31 December 2010	**Audited Consolidated Statement of Financial Position of the Weldtech Group as at 31 December 2010**	**Sub-total**		**Pro forma adjustments for the Acquisition**	**Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 December 2010**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Non-current assets						
Intangible assets	—	—	—	*1(b)*	393,319	393,319
Property, plant and equipment	134	510	644			644
Mortgage loans	128,295	—	128,295			128,295
Available-for-sale investments	16,680	—	16,680			16,680
Loan receivables	64,000	—	64,000			64,000
Finance lease receivables	—	10,941	10,941			10,941
Goodwill	—	111	111	*1(b)*	2,725,895	2,726,006
	209,109	11,562	220,671			3,339,885
Current assets						
Mortgage loans	1,245	—	1,245			1,245
Finance assets at fair value through profit or loss	28,243	—	28,243			28,243
Inventories	—	196	196			196
Loan receivables	60,000	—	60,000			60,000
Trade receivables	—	74	74			74
Prepayments, deposits and and other receivables	21,476	6,171	27,647	*3*	14	27,661
Finance lease receivables	—	2,772	2,772			2,772
Amounts due from directors	—	14	14	*3*	(14)	—
Cash and cash equivalents	77,055	8,531	85,586	*1(d)*	(221,000)	624,586
				1(j)	760,000	
	188,019	17,758	205,777			744,777

	Audited Consolidated Statement of Financial Position of the Group as at 31 December 2010	Audited Consolidated Statement of Financial Position of the Weldtech Group as at 31 December 2010	Sub-total		Pro forma adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Current liabilities						
Trade and other payables	2,769	1,019	3,788	*3*	1,803	5,591
Receipt in advance	—	4,428	4,428			4,428
Amount due to a director	—	1,803	1,803	*3*	(1,803)	—
Amounts due to shareholders	—	3,000	3,000	*1(i)*	10,000	13,000
Amounts due to related companies	—	7,029	7,029			7,029
Tax payable	2	—	2			2
Convertible notes	—	—	—	*1(f)*	405,576	405,576
	2,771	17,279	20,050			435,626
Net current assets	185,248	479	185,727			309,151
Total assets less current liabilities	394,357	12,041	406,398			3,649,036
Capital and reserves						
Share capital	399,470	1	399,471	*1(g)*	600,000	1,899,470
				4	(1)	
				1(j)	900,000	
Reserves	(5,113)	12,040	6,927	*1(f)*	1,428,700	1,283,587
				1(j)	(140,000)	
				5	(12,040)	
Equity attributable to owners of the Company	394,357	12,041	406,398			3,183,057
Non-controlling interests	—	—	—			—
Total equity	394,357	12,041	406,398			3,183,057
Long-term liabilities						
Promissory notes	—	—	—	*1(e)*	162,319	162,319
Deferred taxation	—	—	—	*2*	303,660	303,660
Total equity and long-term liabilities	394,357	12,041	406,398			3,649,036

(II) *Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group*

The following is the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, assuming that the Acquisition have been completed on 1 January 2010. The information is based on the audited consolidated financial statements of the Group for the year ended 31 December 2010 and the audited consolidated financial statements of the Weldtech Group for the year ended 31 March 2010 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	Audited Consolidated Statement of Comprehensive Income of the Group for the year ended 31 December 2010	Audited Consolidated Statement of Comprehensive Income of the Weldtech Group for the year ended 31 March 2010	Sub-total		Pro forma adjustments for the Acquisition	Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the year ended 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Turnover	18,850	136	18,986			18,986
Cost of sales	—	(28)	(28)			(28)
Gross profit	18,850	108	18,958			18,958
Fair value changes on financial assets at fair value through profit or loss held for trading	(44,621)	—	(44,621)			(44,621)
Other revenue	—	1,711	1,711			1,711
Other income	1,644	2	1,646			1,646
Selling expenses	(11,197)	(82)	(11,279)	*7*	(39,332)	(50,611)
Administrative expenses	—	(1,164)	(1,164)	*8*	(140,000)	(141,164)
Gain on disposal of a subsidiary	553	—	553			553
(Loss)/profit from operations	(34,771)	575	(34,196)			(213,528)
Finance costs	(624)	—	(624)	*6*	(99,618)	(100,242)
(Loss)/profit before taxation	(35,395)	575	(34,820)			(313,770)
Taxation	1,668	—	1,668	*9*	22,394	24,062
(Loss)/profit for the year	(33,727)	575	(33,152)			(289,708)
Other comprehensive income/(loss) for the year:						
Fair value changes on available-for-sale investments	10,320	—	10,320			10,320
Deferred tax relating to fair value change on available-for-sale investments	(1,703)	—	(1,703)			(1,703)
Exchange difference on translating of financial statements	—	(2)	(2)			(2)
Total comprehensive (loss)/income for the year	(25,110)	573	(24,537)			(281,093)

	Audited Consolidated Statement of Comprehensive Income of the Group for the year ended 31 December 2010 *HK$'000*	Audited Consolidated Statement of Comprehensive Income of the Weldtech Group for the year ended 31 March 2010 *HK$'000*	Sub-total *HK$'000*	*Notes*	Pro forma adjustments for the Acquisition *HK$'000*	Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group for the year ended 31 December 2010 *HK$'000*
(Loss)/profit attributable to:						
Owners of the Company	(33,727)	759	(32,968)			(289,524)
Non-controlling interests	—	(184)	(184)			(184)
	(33,727)	575	(33,152)			(289,708)
Total comprehensive (loss)/ income attributable to:						
Owners of the Company	(25,110)	758	(24,352)			(280,908)
Non-controlling interests	—	(185)	(185)			(185)
	(25,110)	573	(24,537)			(281,093)
(Loss)/earnings per share attributable to owners of the Company:						
— Basic and diluted	(1.18) HK cents	HK$7,590		*10*		(10.17) HK cents

(III) *Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group*

The following is the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, assuming that Acquisition have been completed on 1 January 2010. The information is based on the audited consolidated financial statements of the Group for the year ended 31 December 2010 and the audited financial statements of the Weldtech Group for the year ended 31 March 2010 as set out in Appendix II. Such information is adjusted to reflect the effect of the Acquisition.

As the unaudited pro forma consolidated statement of cash flows of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the six months ended to which it is made up to or for any future period.

	Audited Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2010 *HK$'000*	**Audited Consolidated Statement of Cash Flows of the Weldtech Group for the year ended 31 March 2010** *HK$'000*	**Sub-total** *HK$'000*	*Notes*	**Pro forma adjustments for the Acquisition** *HK$'000*	**Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 December 2010** *HK$'000*
Operating activities						
(Loss)/profit before taxation	(35,395)	575	(34,820)	*6*	(99,618)	(173,770)
				7	(39,332)	
Adjustment for:						
Interest expenses	624	—	624	*11*	99,618	100,242
Amortisation	—	—	—	*12*	39,332	39,332
Depreciation	76	1	77			77
Share issuance expenses	2,420	—	2,420			2,420
Write back of impairment allowances on mortgage loans	(123)	—	(123)			(123)
Gain on disposal of a subsidiary	(553)	—	(553)			(553)
Operating cash flows before movements in working capital	(32,951)	576	(32,375)			(32,375)
Increase in mortgage loans	(59,587)	—	(59,587)			(59,587)
Decrease in financial assets at fair value through profit or loss	72,525	—	72,525			72,525
Increase in loan receivable	(114,000)	—	(114,000)			(114,000)
Decrease in trade receivables	—	238	238			238
Decrease/(increase) in prepayments, deposits and other receivables	7,574	(15)	7,559			7,559
Increase in inventories	—	(1,035)	(1,035)			(1,035)
Increase in amounts due from directors	—	(1,306)	(1,306)			(1,306)
Increase in amounts due from related companies	—	(63)	(63)			(63)
Increase in trade payables	—	3	3			3
Increase in other payables and accruals	1,458	27	1,485			1,485
Increase in amount due to a related company	—	1,407	1,407			1,407
Decrease in amount due to an associate	—	(5)	(5)			(5)

	Audited Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2010 HK$'000	Audited Consolidated Statement of Cash Flows of the Weldtech Group for the year ended 31 March 2010 HK$'000	Sub-total HK$'000	Notes	Pro forma adjustments for the Acquisition HK$'000	Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group for the year ended 31 December 2010 HK$'000
Cash used in operations	(124,981)	(173)	(125,154)			(125,154)
Income tax refund	94	—	94			94
Interest paid	(624)	—	(624)			(624)
Net cash used in operating activities	(125,511)	(173)	(125,684)			(125,684)
Investing activities						
Proceeds from disposal of an associate	—	3	3			3
Net proceeds from disposal of a subsidiary	(10)	—	(10)			(10)
Purchase of property, plant and equipment	(26)	(8)	(34)			(34)
Purchase of available-for-sale investment	(6,360)	—	(6,360)			(6,360)
Net cash inflow from acquisition of additional interests in a subsidiary	—	173	173			173
Cash payment to acquire a subsidiary	—	—	—	*1(d)&(i)*	(231,000)	(231,000)
Net cash (used in)/generated from investing activities	(6,396)	168	(6,228)			(237,228)
Financing activities						
Proceeds from shareholders' loan	—	—	—	*13*	10,000	10,000
Proceeds from issue of shares and options for convertible bonds	56,250	—	56,250			56,250
Proceeds from issue of shares by placement	124,850	—	124,850	*1(j)*	760,000	884,850
Proceeds from issue of convertible bonds	4,779	—	4,779			4,779
Proceeds from issue of warrants	5,620	—	5,620			5,620
Share issuance costs	(5,541)	—	(5,541)			(5,541)
Net cash generated from financing activities	185,958	—	185,958			995,958
Net increase/(decrease) in cash and cash equivalents	54,051	(5)	54,046			593,046
Cash and cash equivalents at the beginning of the year	23,004	6	23,010			23,010
Effect of foreign currency exchange rate changes	—	4	4			4
Cash and cash equivalents at the end of the year	77,055	5	77,060			616,060
Analysis of balance of cash and cash equivalents						
Cash and bank balances	77,055	5	77,060			616,060

Notes to the Unaudited Pro Forma Financial Information

Under HKFRS 3 Business Combinations (Revised) ("HKFRS 3(R)"), the Company will apply the purchase methods to account for the Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Weldtech Group will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of completion. Any goodwill or discount arising on the Acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group's interests at the date of completion. Bargain purchase gain resulting from the business combinations should be recognised immediately in the consolidated statement of comprehensive income.

The adjustments reflected the following:

1. (a) The consideration for the Acquisition to be satisfied by Wise Planner Limited ("Purchaser") is HK$2,800,000,000. The consideration is to be satisfied by:

	HK$'000
Refundable deposits *(Note 1(i))*	10,000
Cash payable *(Note 1(d))*	221,000
Principal amount of the promissory notes (the "Promissory Notes") *(Note 1(e))*	319,000
Principal amount of convertible notes (the "Convertible Notes") *(Note 1(f))*	1,650,000
Allotment and issue of new shares (the "Consideration Shares") *(Note 1(g))*	600,000
	2,800,000

(b) Details of goodwill arising from the Acquisition are as below:

Assumed fair value of the consideration on 31 December 2010

	HK$'000
Refundable deposits *(Note 1(i))*	10,000
Cash payable *(Note 1(d))*	221,000
Promissory Notes *(Note 1(e))*	162,319
Convertible Notes *(Note 1(f))*	1,834,276
Consideration Shares *(Note 1(g))*	600,000
Total	2,827,595
Less: Fair value of net identifiable assets acquired *(Note 1(c))*	(12,041)
Less: Fair value of patent recognised in the Acquisition *(Note 1(h))*	(393,319)
Add: Deferred tax liabilities arising on issuance of Convertible Notes *(Note 1(f))*	205,330
Add: Deferred tax liabilities arising on recognition of patent *(Note 1(h))*	98,330
Goodwill	2,725,895

The Directors have reviewed the carrying value of goodwill of the Enlarged Group in accordance with Hong Kong Accounting Standard 36 Impairment of Assets ("HKAS 36"), taking into account the independent valuation report, carried out by Grant Sherman Appraisal Limited, an independent professional valuer. Based on the valuation report, the Directors are of the opinion that there are no indications that the values of the goodwill of the Enlarged Group may be impaired in respect of the intangible assets and goodwill with an assumed fair value of approximately HK$393,319,000 and HK$2,726,006,000 respectively, as shown in the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 December 2010.

In accordance with HKAS 36, the Directors will carry out impairment review of the goodwill of the Enlarged Group with reference to an independent valuation report, which will be prepared under the same principal assumptions and valuation method in the future financial statements. The principal assumptions applied by the Directors represents the assumptions of the Projections disclosed in the Business Valuation Report as set out in Appendix VI and in the paragraph headed "Financial Prospects" in the "Letter from the Board" in this circular.

It is the responsibility solely of the Directors to ensure that the Company is adopting and will continue to adopt consistent accounting policies and ensure that the principal assumption of the Valuation for assessment of the impairment of the Enlarged Group's intangible assets and goodwill are consistent for future annual audit of the Group.

The reporting accountants concurred with the Directors' assessment of impairment in the intangible assets and goodwill in the Unaudited Pro Forma Financial Information and adoption of consistent accounting policies and principal assumptions in the preparation of consolidated financial statements of the Group after the Completion of the Acquisition.

(c) The fair value of net assets of the Weldtech Group acquired in the Acquisition are as below:

	HK$'000
Net assets value of Weldtech Group	12,041

For the purpose of preparing the Unaudited Pro Forma Financial Information, the carrying value of the net assets of the Weldtech Group as per the Accountants' Report as set out in Appendix II is taken to be the fair value.

(d) HK$221,000,000 will be payable by cash to SV Technology Company Limited at the Completion Date.

In preparation of the Unaudited Pro Forma Financial Information, the directors of the Company assumed that the amount of HK$221,000,000 would be funded by the Company's internal resources.

The cash payable will not have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

The balance of cash and cash equivalents of the Enlarged Group in the Unaudited Pro Forma Consolidated Statement of Financial Position is for illustration purpose only.

(e) The carrying amount of the Promissory Notes of approximately HK$162,319,000 represents the carrying value of the Promissory Notes carried at its amortised cost and is calculated using the discounted cash flow method at an effective interest rate of 14.47%. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that prime rate of 14.47% is the effective interest rate. The effective interest rate was determined by reference to a various factors, including the credit spread of the Company and specific risk premium being assessed by professional valuer.

(f) These represent the liability and equity components of the Convertible Notes with principal amount of HK$1,650,000,000 issued for the Acquisition. The Convertible Notes is non-interest bearing for the first three years, followed by 3% interest per annum for the fourth to tenth year. It shall mature in 10 years from the date of issue.

The fair value assessment of the liability component and the equity component of the Convertible Notes was performed by Grant Sherman Appraisal Limited, a firm of independent qualified valuers not connected to the Group, using discounted cash flow method and binomial option pricing model respectively. As at 31 December 2010, the estimated fair values of the liability component and equity component of the Convertible Notes are approximately HK$405,576,000 and HK$1,428,700,000 respectively.

Fair values of the liability component and the equity component shall be assessed on the date of Completion and are therefore subject to change upon completion of the Acquisition.

	Convertible Notes
	HK$'000
Face value of the financial instruments	1,650,000
Less: Carrying amount of the financial instrument as at 31 December 2010	(405,576)
Temporary difference	1,244,424
Deferred tax liabilities at a tax rate of 16.5%	205,330

For the purpose of preparing the unaudited pro forma consolidated statement of financial position of the Enlarged Group, it is assumed that the Acquisition has been completed on 31 December 2010.

(g) The adjustments represent the allotment and issuance of a total of 3,750,000,000 new shares of the Company of HK$0.1 each, at HK0.16 per share, which was determined after arm's length negotiations between the Group and the Vendors, with reference to the prevailing trading price of the Consideration Shares during the period of negotiations in November and December 2010. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that the fair value of the Consideration Shares as at 31 December 2010 amounted to HK$600,000,000 and is recognised in equity.

(h) The Weldtech Group has obtained 5 patents regarding the self-developed and owned "Ultra Performance Plant Control System" for its novelty and industrial applicability in the PRC. The carrying amount of the patent of approximately HK$393,319,000 represents the fair value of the patent and is calculated using the relief-from-royalty method at an effective interest rate of 23.29%. The fair value assessment was carried out by Grant Sherman Appraisal Limited, an independent professional valuer. Under the relief-from-royalty method, an asset is valued based upon the incremental after tax cash flow accruing to the owner by virtue of the fact that the owner does not have to pay a fair royalty to a third party for the use of that asset. Accordingly, a portion of the Weldtech Group's earnings, equal to the after-tax royalty that would have been paid for use of the patent can be attributed to the patent. The value of the patent depends on the present worth of future after-tax royalties derived from ownership. Indication of value is developed by discounting future after-tax royalties attributable to the patent to the present worth at market-derived rate of return appropriate for the risks of the patent. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that the prime rate of 23.29% is the effective interest rate. The effective interest rate was determined by the Capital Asset Pricing Model being carried out by Grant Sherman Appraisal Limited. Grant Sherman Appraisal Limited has considered that the most appropriate method for valuing the aforesaid patent is the relief-from-royalty method. The carrying amount of the patent represents its fair value as at 31 December 2010.

Deferred tax arising from the recognition of the patent is as follows:

	Patent
	HK$'000
Fair value of the patent	393,319
Deferred tax liabilities at a tax rate of 25%	98,330

(i) HK$10,000,000 refundable deposits in cash was paid to SV Technology Company Limited on or before 19 May 2011. SV Technology Company Limited has undertaken to on-lend the refundable deposits to Weldtech Technology as operating capital in the form of shareholders' loan. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that the refundable deposit is paid upon the Completion.

(j) The pro forma adjustment represents the net proceeds from the Placing of approximately HK$760 million. In preparation of the Unaudited Pro Forma financial Information, it is assumed that the Placing Agreement having become unconditional. For the purpose of preparing the Unaudited Pro forma Financial Information, the net proceeds of not less than HK$760 million (assuming net of the placing commission and estimated expenses in relation to the Placing, and the referral fee amounting to HK$140 million) is taken to be the net proceeds from the Placing.

2. The pro forma adjustment of approximately HK$303,660,000 represents the adjustment of the deferred tax liabilities as at 31 December 2010.

	Patent	Convertible Notes	Total
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities			
At 1 January 2010	—	—	—
Recognition of the patent *(Note 1(h))*	98,330	—	98,330
Issuance of Convertible Notes *(Note 1 (f))*	—	205,330	205,330
	98,330	205,330	303,660

3. The pro forma adjustment represents the reallocation of amounts due from/to directors of the Weldtech Group to other receivables and other payables respectively upon consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2010.

4. The pro forma adjustment of HK$1,000 represents the elimination of the share capital of the Weldtech Group upon consolidation of the Unaudited Pro Forma Financial Information of the Enlarged Group as if the Acquisition was completed on 31 December 2010.

5. The pro forma adjustment of approximately HK$12,040,000, represents the net effect of elimination of reserves as if the Acquisition was completed on 31 December 2010.

Details are set out as follows:

	HK$'000
Elimination of pre-acquisition reserves of the Weldtech Group	12,040

6. The pro forma adjustment of approximately HK$99,618,000 represents the annual finance cost of the imputed interest expenses recognised for the Promissory Notes and the Convertible Notes in the consolidated statement of comprehensive income of the Enlarged Group with the imputed interest rates of 14.47% and 18.77% respectively for the year ended 31 December 2010. These interest expenses will

have the continuing effect on the financial statements of the Enlarged Group in subsequent years. The imputed interest rates were determined by reference to a various factors, including the credit spread of the Company and specific risk premium being assessed by professional valuer.

Details are set out as follows:

	HK$'000
Imputed interest on Promissory Notes	23,488
Imputed interest on Convertible Notes	76,130
	99,618

7. The pro forma adjustment of approximately HK$39,332,000 represents the annual amortisation charge recognised for the patent in the consolidated statement of comprehensive income of the Enlarged Group. For the purpose of preparing the Unaudited Pro Forma Financial Information, the estimated useful life of the patent is assumed to be 10 years.

Details are set out as follows:

	HK$'000
Amortisation on the patent	39,332

8. The pro forma adjustment represents the referral fee of approximately HK$140 million, which is equal to 5% of the consideration for the Acquisition. This unaudited pro forma adjustment will not have continuing effect to the consolidated statement of comprehensive income.

9. The pro forma adjustment represents the deferred tax effect of approximately HK$22,394,000 of the the Convertible Notes and the patent for the year ended 31 December 2010.

The basis of the deferred tax effect of HK$22,394,000 is set out as follows:

	Patent	**Convertible Notes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities as at 1 January 2010 at tax rate of 25%/16.5%	98,330	205,330	303,660
Less: Deferred tax liabilities as at 31 December 2010, at tax rate of 25%/16.5%	(88,497)	(192,769)	(281,266)
Deferred tax effect	9,833	12,561	22,394

	Patent	**Convertible Notes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Net book value	393,319	—	393,319
Face amount	—	1,650,000	1,650,000
Less: Carrying amount as at 1 January 2010	—	(405,576)	(405,576)
Temporary difference as at 1 January 2010	393,319	1,244,424	1,637,743
Deferred tax liabilities as at 1 January 2010, at tax rate of 25%/16.5%	98,330	205,330	303,660

	Patent	Convertible Notes	Total
	HK$'000	*HK$'000*	*HK$'000*
Net book value	353,987	—	353,987
Face amount	—	1,650,000	1,650,000
Less: Carrying amounts as at 31 December 2010	—	(481,706)	(481,706)
Temporary difference as at 31 December 2010	353,987	1,168,294	1,522,281
Deferred tax liabilities as at 31 December 2010, at tax rates of 25%/16.5%	88,497	192,769	281,266

The deferred tax income will have the continuing effect in subsequent years.

The deferred tax income was arising from the amortisation of patent and imputed interest on Convertible Notes recognised in the Unaudited Pro Forma Consolidated Statement of Comprehensive Income.

For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Comprehensive Income, it is assumed that the Acquisition has been completed on 1 January 2010.

10. The calculation of unaudited pro forma loss per share are shown as the follows:

Unaudited pro forma basic earnings per share

The calculation of the unaudited pro forma loss per share attributable to owners of the Company is based on the following data:

	HK$'000
Loss from operations attributable to owners of the Company	(289,524)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,848,023,090

The computation of diluted loss per share for the year ended 31 December 2010 does not assume the exercise or conversion of the Company's outstanding options for convertible bonds, convertible bonds, warrants or the Convertible Notes since their exercise or conversion would result in a decrease in the loss per share.

11. The pro forma adjustments to the consolidated statement of cash flows represent the recognition of the finance cost of the Promissory Notes and Convertible Notes of approximately HK$99,618,000 as if the Acquisition was completed on 1 January 2010. This unaudited pro forma adjustment will have continuing effect to the consolidated statement of cash flows of the Enlarged Group.

12. The pro forma adjustments to the consolidated statement of cash flows represent the recognition of the amortisation charge of the patent of approximately HK$39,332,000 as if the Acquisition was completed on 1 January 2010. This unaudited pro forma adjustment will have continuing effect to the consolidated statement of cash flow of the Enlarged Group.

13. The proforma adjustments to the consolidated statement of cash flows represent the recognition of shareholders' loan of approximately HK$10,000,000 as if the Acquisition was completed on 1 January 2010. This unaudited proforma adjustment will not have continuing effect to the consolidated statement of cash flows of the Enlarged Group.

The following is the text of a valuation report prepared for the purpose of inclusion in this circular received from Grant Sherman Appraisal Limited, an independent valuer, in connection with its valuation as at 31 March 2011 of the properties occupied by the Enlarged Group.

GRANT SHERMAN APPRAISAL LIMITED

Room 1701 on 17/F Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

31 May 2011

The Directors
The Hong Building and Loan Agency Limited
Room 3501, 35/F
China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions from to value the property interests leased/licensed by The Hong Kong Building and Loan Agency Limited (''the Company'') or its subsidiaries (together referred to as ''the Group'') and Weldtech Technology Co. Limited (the ''Weldtech Technology'') and its subsidiaries (the ''Weldtech Group'') (together with the Group hereinafter referred to as the ''Enlarged Group'') located in Hong Kong and the People's Republic of China (''the PRC'') we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such interests as at 31 March 2011 (the ''Valuation Date'').

Our valuation is our opinion of market value which we would define as intended to mean ''the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.''

We have valued the property interests by direct comparison approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidences as available in the relevant market.

For valuing the property interests of Group I, Group II, Group III and Group IV which are leased, occupied/licensed by the Enlarged Group in the PRC and Hong Kong and, we are of the opinion that no commercial value attribute to the Enlarged Group due mainly to the short term nature or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

Our valuation has been made on the assumption that the properties are sold on the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property value.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided with copies of extracts of documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties. In the preparation of our valuation report regarding the properties in the PRC, we have relied to the considerable extent on the legal opinion provided by the Company's legal adviser, King & Wood on the PRC laws regarding the titles of the property in the PRC.

In the course of our valuation, we have relied on a considerable extent on the information provided by the Company on such matters as property title, statutory notices, easements, tenure, occupation, site and floor areas, identification of the property and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. All documents have been used as reference only. All dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, the interior of the properties, where possible in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structure which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defect. No tests have been carried out on any of the building services.

Unless otherwise specified, all amounts are denominated in Renminbi.

We enclose herewith our summary of valuation and the valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Peggy Y.Y. Lai
MRICS MHKIS RPS(GP)
Director
Real Estate Group

Note: Ms. Peggy Y.Y. Lai is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 5 years experience in the valuation of properties in Hong Kong, the PRC and the Asian Region.

SUMMARY OF VALUATION

Group I — Property interests leased and occupied by the Weldtech Group for in the PRC

	Property	Market Value as at 31 March 2011 *(RMB)*
1.	Room 1810, Zheng Da Li Fang Building, No. 56–62 Zhang Liu Road, Putong New District, Shanghai, the PRC	No commercial value
2.	Room 2206, Zheng Da Li Fang Building, No. 56–62 Zhang Liu Road, Putong New District, Shanghai, the PRC	No commercial value
Group II — Property interests occupied by the Weldtech Group for in the PRC		
3.	Room 1502, Dong Fang Hai Wai Building, No. 841 Yan An Zhong Road, Shanghai, the PRC	No commercial value
Group III — Property interests licensed and occupied by the Group for in Hong Kong		
4.	Room 2101 on 21/F., Allied Kajima Building, No. 138 Gloucester Road, Wanchai, Hong Kong	No commercial value
5.	Room 2102 on 21/F., Allied Kajima Building, No. 138 Gloucester Road, Wanchai, Hong Kong	No commercial value
Group IV — Property interests leased and occupied by the Group for in Hong Kong		
6.	Room 3501 on 35/F, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong	No commercial value
	Grand Total:	No commercial value

VALUATION CERTIFICATE

Group I — Property interests leased and occupied by the Weldtech Group for in the PRC

	Property	Description and tenure	Particular of occupancy	Market Value as at 31 March 2011 *(RMB)*
1.	Room 1810, Zheng Da Li Fang Building, No. 56–62 Zhang Liu Road, Putong New District, Shanghai, the PRC	The property comprises an office unit on 18/F of an office building completed in about 2007. The floor area of the property is approximately 158.78 sq.m.	The property is leased to the Weldtech Group from independent third parties for a term commencing from 1 April 2010 to 31 July 2012. The monthly rent from 1 April to 31 July 2010 and 1 August 2010 to 31 July 2012 is RMB23,500 and RMB24,675 respectively. exclusive of water, gas, electricity charges, management charges and other charges. The property is occupied by the Weldtech Group as office use.	No commercial value

Notes:

(i) The subject property with a floor area of about 158.78 sq.m. is subject to a tenancy agreement for a term commencing from 1 April 2010 to 31 July 2012. The monthly rent from 1 April to 31 July 2010 and 1 August 2010 to 31 July 2012 is RMB23,500 and RMB24,675 respectively. exclusive of water, gas, electricity charges, management charges and other charges.

(ii) We have been provided with a PRC legal opinion on the property issued by the Group's legal advisor King & Wood, which contains, *inter alia*, the following information:

(a) The lessor has obtained the ownership of the subject property and is entitled to lease the subject property.

(b) The tenancy agreement mentioned in note (i) is legally enforceable and binding on both parties.

(c) Subject to the tenancy agreement, the lessee have the right to use the subject property.

(d) The lease agreement mentioned in note (i) has been registered with the relevant leasing management department.

VALUATION CERTIFICATE

	Property	Description and tenure	Particular of occupancy	Market Value as at 31 March 2011 *(RMB)*
2.	Room 2206, Zheng Da Li Fang Building, No. 56–62 Zhang Liu Road, Putong New District, Shanghai, the PRC	The property comprises an office unit on 22/F of an office building completed in about 2007. The floor area of the property is approximately 286.17 sq.m.	The property is leased to the Weldtech Group from an independent third party for a term commencing from 20 July 2010 to 30 June 2011. The monthly rent for the first year is RMB35,000. exclusive of water, gas, electricity charges, management charges and other charges. The monthly rent for the second year may subject to change. The property is occupied by the Weldtech Group as office use.	No commercial value

Notes:

(i) The subject property with a floor area of about 286.17 sq.m. is subject to a tenancy agreement for a term commencing from 20 July 2010 to 30 June 2011. The monthly rent for the first year is RMB35,000, exclusive of water, gas, electricity charges, management charges and other charges. The month rent for the second year may subject to change.

(ii) We have been provided with a PRC legal opinion on the property issued by the Group's legal advisor King & Wood, which contains, *inter alia*, the following information:

(a) The lessor has obtained the ownership of the subject property and is entitled to lease the subject property.

(b) The tenancy agreement mentioned in note (i) is legally enforceable and binding on both parties.

(c) Subject to the tenancy agreement, the lessee have the right to use the subject property.

(d) The lease agreement mentioned in note (i) has been registered with the relevant leasing management department.

VALUATION CERTIFICATE

Group II — Property interests occupied by the Weldtech Group for in the PRC

	Property	Description and tenure	Particular of occupancy	Market Value as at 31 March 2011 *(RMB)*
3.	Room 1502, Dong Fang Hai Wai Building, No. 841 Yan An Zhong Road, Shanghai, the PRC	The property comprises an office unit on 15/F of an office building completed in about 1998. The floor area of the property is approximately 214.92 sq.m.	The property is occupied by the Weldtech Group for a term commencing from 1 July 2007 to 30 June 2017. The property is occupied by the Weldtech Group as office use.	No commercial value

Notes:

(i) According to a right to use certificate dated 2 June 2007, the subject property with a floor area of about 214.92 sq.m. is occupied by the Group for a term commencing from 1 July 2007 to 30 June 2017.

(ii) We have been provided with a PRC legal opinion on the property issued by the Group's legal advisor King & Wood, which contains, *inter alia*, the following information:

(a) The lessor has obtained the ownership of the subject property.

(b) Subject to the right to use certificate mentioned in note (i), the lessee have the right to use the subject property.

VALUATION CERTIFICATE

Group III — Property interests licensed and occupied by the Group for in Hong Kong

	Property	Description and tenure	Particular of occupancy	Market Value as at 31 March 2011 *(RMB)*
4.	Room 2101 on 21/F., Allied Kajima Building, No. 138 Gloucester Road, Wanchai, Hong Kong	The property comprises an office area on 22/F of a commercial building completed in about 1990. The floor area of the property is approximately 70 sq.ft.	The property is licensed to the Group from an independent third party for a term commencing from 1 January 2011 to 31 December 2011. The monthly rent is HK$3,000. The property is occupied by the Group as office use.	No commercial value
5.	Room 2102 on 21/F., Allied Kajima Building, No. 138 Gloucester Road, Wanchai, Hong Kong	The property comprises an office area on 22/F of a 26-storey commercial building completed in about 1990. The floor area of the property is approximately 70 sq.ft.	The property is licensed to the Group from an independent third party for a term commencing from 1 January 2011 to 31 December 2011. The monthly rent is HK$3,000. The property is occupied by the Group as office use.	No commercial value

Group IV — Property interests leased and occupied by the Group for in Hong Kong

	Property	Description and tenure	Particular of occupancy	Market Value as at 31 March 2011 *(RMB)*
6.	Room 3501 on 35/F, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong	The property comprises an unit on 35/F of a 47-storey commercial building completed in about 2000. The floor area of the property is approximately 2,960 sq.ft.	The property is licensed to the Group from an independent third party for a term commencing from 2 November 2010 to 1 November 2011. The monthly rent is HK$65,120 exclusive of rates, management fee and air-conditioning charges. The property is occupied by the Group as office use.	No commercial value

The following is the text of a valuation report, prepared for the purpose of inclusion in this circular received from Grant Sherman Appraisal Limited, an independent valuer, in connection with its valuation as at 28 February 2011 of the fair market value of a 100% equity interests in Weldtech Technology.

GRANT SHERMAN APPRAISAL LIMITED

Room 1701 on 17/F Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

31 May 2011

Wise Planner Limited
c/o The Hong Kong Building and Loan Agency Limited
Room 3501, 35/F, China Online Centre,
333 Lockhart Road, Wanchai,
Hong Kong

Dear Sirs,

In accordance with your instructions, we have made an appraisal of the fair market value of a 100% equity interest in the business enterprise of Weldtech Technology Co. Limited ("Weldtech Technology"), an investment holding company holding the entire equity interest in Weldtech Technology (Shanghai) Co., Ltd (the "WFOE") (Weldtech Technology and the WFOE are collectively referred to as the "Weldtech Group"). The Weldtech Group is principally engaged in the design and provision of 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 consumption efficiency of central air-conditioning system in the People's Republic of China (the "PRC").

This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

Business enterprise value is defined for this appraisal as the total invested capital, excluding debts but including shareholders' loans, and is equivalent to shareholders' equity plus shareholders' loans. The fair market value of the equity interest in the business enterprise of Weldtech Technology is derived based on the expected future economic benefit to which the owner(s) of Weldtech Technology will be effectively entitled to after accounting for the effects of discount for the lack of marketability.

The purpose of this appraisal is to express an independent opinion of the fair market value of a 100% equity interest in Weldtech Technology as at 28 February 2011 (the "Appraisal Date"). It is our understanding that this appraisal will be used by The Hong Kong Building and Loan Agency Limited (the "Company") for acquisition purposes and our report might be used in connection with a public document.

INTRODUCTION

Background Information

On 23 February 2011, Wise Planner Limited ("Wise Planner"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Carbon Reserve Investments Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Season Best Investments Limited, Smart Promise Limited and SV Technology Company Limited (collectively known as the "Vendors"), Mr. Wong Ho Yuen and Mr. Wu Gang who serve as the guarantors, and the Company, pursuant to which Wise Planner has conditionally agreed to acquire the entire issued share capital of Weldtech Technology from the Vendors at a total consideration of HK$2.8 billion, subject to adjustments. Upon completion of this acquisition, the Weldtech Group will be wholly owned by the Company and its results, assets and liabilities will be consolidated into the financial statements of the Company. The Weldtech Group will then serve as a platform for the enlarged group of the Company to enter into the energy saving industry and become a flagship of carbon reduction across the PRC.

The Company

The Hong Kong Building and Loan Agency Limited is a limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 145). The principal activities of the Company and its subsidiaries are investment holding, treasury investments and the provision of loan financing and other related services.

The Weldtech Group

Weldtech Technology

Weldtech Technology Co. Limited is a company incorporated in Hong Kong with limited liability on 15 September 2004. It is an investment holding company and the WFOE is its wholly-owned subsidiary.

The WFOE

Weldtech Technology (Shanghai) Co., Ltd was a company incorporated in the PRC with limited liability on 17 December 2007 with a 20-year operating term. It is principally engaged in the provision of 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 consumption efficiency of central air-conditioning system in the PRC. The energy saving is achieved through the application of its self-developed and owned "Ultra Performance Plant Control System" (the "UPPC System") which has obtained 5 patents for its novelty and industrial applicability in the PRC.

In 2010, the 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 an "energy saving service company".

The UPPC System

The UPPC System is a patented and proven technology. It is designed to optimize 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 which is optimal for the whole cooling plant instead of a single unit within such plant. It utilizes model-based supervisory control over all cooling plant units instead of separate, loop-based passive control used in traditional cooling plants in the market.

Central air-conditioning typically accounts for at least 40% of entire building energy consumption and the chiller plant consumes a large amount of energy use of a central air-conditioning system. The purpose of the UPPC System is to maximize performance efficiency (or to minimize operating energy use) of a chiller plant as a whole. Using the fundamental characteristics of each equipment group and the real-time cooling load as control bases, the UPPC System coordinates all components of a chiller plant according to designated control strategies.

The UPPC System is unique and innovative of its control philosophy. The primary distinction between the UPPC System and other chiller plant control systems is that the UPPC System is an interactive system that will react in response to different combinations of equipment operating parameters, real time cooling load and weather data. The central computer exerts control over operations of each piece of equipment unit in a proactive manner. Working conditions of each piece of equipment are adjusted in accordance with the selected combination of parameters.

INDUSTRY OVERVIEW

Carbon Dioxide Emissions in the PRC

The PRC is the world's fastest-growing major economy, with average growth rates of 10% for the past 3 decades. In 2008, it used about 18% of the world's carbon based fuels and it was the largest consumer of coal for power, according to a statistical review of world energy conducted by BP plc., one of the world's largest energy companies, as shown in Table 1. The combustion of coal, however, adds a significant amount of carbon dioxide ("CO_2") to the atmosphere per unit of heat energy, more than does the combustion of other fossil fuels. The annual publication — "CO_2 Emissions from Fuel Combustion" issued by the International Energy Agency in 2010, revealed that China emitted over 6,500 million tonnes of carbon dioxide from the consumption of fossil fuels in 2008 and became the highest CO_2 emissions country in the world. Nearly 50% of CO_2 emissions were associated with electricity and heat production sector as illustrated in Table 2.

Table 1: Energy Consumption by Fuel in 2008*

Million tonnes oil equivalent	Oil	Natural gas	Coal	Nuclear energy	Hydro-electricity	Total	% of world's total
World	3,959.9	2,717.3	3,286.4	620.2	731.4	11,315.2	100%
United States	888.5	599.5	564.1	192.0	58.2	2,302.4	20%
People's Republic of China	380.3	73.2	1,406.1	15.5	132.4	2,007.4	18%
Russian Federation	131.6	374.4	100.4	36.9	37.7	680.9	6%
Japan	221.9	84.4	128.7	57.0	16.8	508.7	4%
India	143.6	37.2	230.9	3.4	26.0	441.1	4%
Canada	101.7	88.4	30.8	21.6	92.9	335.3	3%
Germany	118.9	73.1	80.1	33.7	4.5	310.3	3%
Brazil	104.8	22.7	13.5	3.2	83.6	227.8	2%
United Kingdom	77.9	84.4	35.5	11.9	1.2	210.9	2%
Australia	42.5	23.0	51.4	—	2.7	119.5	1%

(Primary energy comprises commercially traded fuels only in the above data.)*
Source: BP Statistical Review of World Energy June 2010

Table 2: CO_2 Emissions by Sector in 2008

Million tonnes of CO_2	Total CO_2 emissions from fuel combustion	% of world total	Electricity and heat production	% of total emissions	Manuf. industries and construction	% of total emissions	Transport	% of total emissions
World	29,381.4	100%	11,987.9	41%	5,943.6	20%	6,604.7	22%
Major Country/Economy								
People's Republic of China	6,508.2	22%	3,108.1	48%	2,167.9	33%	452.6	7%
United States	5,595.9	19%	2,403.4	43%	633.1	11%	1,691.6	30%
Russian Federation	1,593.8	5%	873.9	55%	229.5	14%	243.3	15%
India	1,427.6	5%	803.7	56%	279.8	20%	131.9	9%
Japan	1,151.1	4%	472.2	41%	247.5	21%	226.2	20%
Germany	803.9	3%	337.3	42%	118.1	15%	148.4	18%
Canada	550.9	2%	119.3	22%	97.9	18%	162.0	29%
United Kingdom	510.6	2%	194.9	38%	58.8	12%	124.8	24%
Australia	397.5	1%	227.1	57%	50.2	13%	79.7	20%
Brazil	364.6	1%	41.2	11%	108.3	30%	149.5	41%

Source: "CO_2 Emissions from Fuel Combustion" issued by the International Energy Agency in 2010

National Policies on Energy Conservation and Energy Management in the PRC

The PRC government started energy conservation work in a planned and organized way in the early 1980s. To further promote energy conservation, the national government made conservation of resources a basic state policy, and issued the Decision of the State Council on Strengthening Energy-conservation Work. The Chinese government has always regarded energy conservation as a major factor in macro control and as breakthrough and driving force for transforming the pattern of economic development and optimizing economic structure. It promulgated and implemented the Medium- and Long-term Special Plan for Energy Conservation, setting the goal for energy consumption reduction during "The 11th Five-Year Plan" period (2006–2010) and allocating the tasks and responsibilities to various provinces, autonomous regions and municipalities directly under the central government, as well as key enterprises. "The 11th Five-Year Plan" had given top priority to the development of energy technologies, and, in line with the principle of making independent innovations and leapfrogging development in key fields, shoring up the economy and keeping in step with leading trends, stresses accelerating progress of energy technologies and strives to provide technological support for sustainable energy development.

In the last decade, the PRC government actively advanced the construction of a legal framework for increasing the energy supply, standardizing the energy market, optimizing the energy structure and maintaining energy security. The national government had enacted and put in force the Clean Production Promotion Law and Renewable Energy Law, and had issued a series of supporting policies and measures. The amended Energy Conservation Law had been promulgated and the Energy Law, Circular Economy Law, Law on the Protection of Oil and Natural Gas Pipelines and Regulations on Energy Conservation of Buildings were being formulated. The Mineral Resources Law, Coal Industry Law, and Electric Power Law were being revised. These new standards and amendments were all aimed to enhance energy efficiency.

In "The 11th Five-Year Plan", the PRC government committed to a target to reduce CO_2 emissions per unit of Gross Domestic Product ("GDP") by 20% by 2010 from 2005 levels. Despite that the PRC government had made big progress in economic growth pattern transformation, economic restructuring, agricultural production, industry upgrading, infrastructure improvement, energy saving and environmental protection, among other achievements, CO_2 emissions per unit of GDP had only been reduced by 15.6% in the first four years of "The 11th Five-Year Plan" period (2006–2010). Moreover, before the Copenhagen Climate Summit 2009, the national government had pledged to reduce CO_2 emissions per unit of GDP by 40% to 45% by 2020 from 2005 levels as its major goal to tackle with climate change issue. Thus, more legal, technical and fiscal measures would be resorted for greater progress in energy saving and emission reduction over the next 5 years in the PRC.

On 2 April 2010, the State Council of the PRC (the "State") issued the Opinions on Accelerating the implementation of Energy Management Contracting to Promote the Development of Energy Saving Service Industry (《關於加快推行合同能源管理促進節能服務產業發展的意見》). The State also promulgated a series of policies and documents thereafter on supporting the energy saving and emission reduction and energy performance contract businesses. The Ministry of Finance of the PRC would provide subsidies, financial rewards and tax exemption to energy saving service companies. In view of supportive government policies, the State could further guide and carry out the implementation of the promotion of energy performance contract in the PRC and to eventually realize the objectives for energy saving and emission reduction as stipulated in "The 11th Five-Year Plan" and other relevant objectives in the future.

The 12th Five-year Plan" (2011–2015) on National Economic and Social Development sketched the PRC government's ongoing efforts to strike a right balance between economic growth and environmental protection. As set out in "The 12th Five-year Plan" announced by the PRC government on October 2010, seven strategic emerging industries would be developed and nurtured with favorable policies in the next 5 years. These industries were new-generation information technology, energy-saving and environment protection, new energy, biology, high-end equipment manufacturing, new materials and new-energy cars. The PRC government also set the reduction of energy consumption intensity and CO_2 emissions as its committed goals in "The 12th Five-Year Plan" period.

Energy Saving Service Industry in the PRC

In 2009, there were approximately 500 companies providing various types of energy saving solutions in the PRC. Over 4,000 energy conservation projects had been performed with capital investment and output value of RMB28 billion and over RMB58 billion, respectively.

The PRC government had allocated a total of RMB200 billion from its central government budget for energy conservation and emission reduction during "The 11th Five-Year Plan" period and would continue its effort to push forward the industrialization of energy saving technologies. Wu Xiaoqing, Vice Minister of the Ministry of Environmental Protection of the PRC, forecasted that in the next 5 years, the national government might double its investment in environmental protection to over RMB3 trillion.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business enterprise of Weldtech Technology on the basis of fair market value. Fair market value is defined as the estimated amount at which the business enterprise might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns. Business enterprise value is defined for this appraisal as shareholders' equity plus shareholders' loans.

Our investigation included discussions with the management of Weldtech Technology (the "Management") in relation to the history and nature of the business, operations and prospects of the Weldtech Group, a review of the historical financial information and the financial projections (the "Projections"), its underlying assumptions, as well as other records and documents, provided to us by the Management. We have assumed that the data, information, opinions and representation provided to us by the Management in the course of the valuation are true and accurate. In addition, a study of market conditions and an analysis of published information concerning the industry were used to evaluate the Weldtech Group's past performance and to assess its ability and capacity to generate future investment returns.

Before arriving at our opinion of value, we have considered some principal factors that include, but are not limited to, the following:

— Nature of the business and the history of the Weldtech Group from its inception;

— Economic outlook in general and the condition and outlook of the specific industry in particular;

— The specific economic and competitive elements affecting the Weldtech Group's business, its industry and its markets;

— Business risks of the Weldtech Group and inherent uncertainties involved in its operation;

— Financial risks of the Weldtech Group;

— Potential of the markets served;

— Management's policies and strategies for the future;

— Name and reputation of the Weldtech Group, including the Management;

— Past operating results of the Weldtech Group;

— Extent, condition, utility and capacity of the facilities and equipment utilized by the business;

— Existence of assets of an intangible nature;

— Investment market's attitude toward securities with similar characteristics, as measured by market performance, and alternative investment opportunities available to an investor;

— Appropriate rates of return as indicated by alternative investment opportunities of comparable magnitude, character and risk; and

— The Projections and the projection period (the "Projection Period") which starts from the Appraisal Date till 31 March 2021.

Due to the changing environment in which the Weldtech Group is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the business enterprise. The major assumptions adopted in this appraisal are:

— There will be no major changes in the existing political, legal, fiscal and economic conditions in the country in which the Weldtech Group carries on its business;

— There will be no major changes in the current taxation laws in Hong Kong and the PRC that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

— Exchange rates, inflation rates and interest rates will not differ materially from those presently prevailing;

— The availability of finance for working capital requirement will not be a constraint for the project rollout and future expansion of the Weldtech Group's operations in accordance with the Projections;

— The Weldtech Group will successfully maintain its competitiveness and market share through expanding its customer base in target markets;

— The Weldtech Group can keep abreast of the latest development of the industry such that the competitiveness and profitability of the Weldtech Group can be sustained;

— The Weldtech Group will utilize and maintain its current operational, administrative and technical facilities to expand and increase its sales;

— The Weldtech Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations;

— Any management changes or changes in ownership of the Weldtech Group in the future will not have adverse effects on the long term profitability of the Weldtech Group's operations;

— The Projections have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the Management;

— Industry trends and market conditions for related industries will not deviate significantly from economic forecasts;

— The labor market conditions will not differ materially from those presently prevailing;

— All approvals, licenses and contractual agreements with respect to the Weldtech Group and its operations are legal, valid and will be enforceable in accordance with the legal terms; and that the Weldtech Group will have the legal rights to launch its products and services in the PRC, and to receive the revenues generated from its operations as contemplated under the Projections;

— Receipts from outright sales of UPPC System and energy management contracts ("EMC") through sharing of energy savings are the main income sources of the Weldtech Group. The number of new projects each year is to be split in the following manner between the two income sources over the Projection Period:

Year ended 31 March	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
EMC	100%	85%	80%	75%	70%	65%	60%	55%	50%	45%	40%
Outright Sales	0%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%

— The term of EMC is 5 years while the ratio of energy savings sharing is 85% in the first 2 years and 60% in the remaining 3 years. Both the contract terms and the energy savings sharing ratios will remain constant over the Projection Period;

— Electricity charge rates will not differ materially from the Projections in different regions and cities in the PRC. It is also assumed that electricity charges will increase by 3%, on average, annually in the PRC from April 2012;

— Costs of direct materials and operating expenses to be incurred will not deviate significantly from the Projections in different parts of the PRC;

— There are no material differences in energy saving rates when the UPPC System is installed in different sizes of cooling plants. Thus, saved energy consumption will increase with size of cooling plant;

— Energy saving efficiency for each type of projects remains constant throughout the Projection Period;

— The free cash flows after the Projection Period will grow at a constant rate of 3% forever[1];

— The Weldtech Group will successfully negotiate and enter into long-term legally binding contractual agreements with more owners of commercial and industrial buildings, hotels, property management companies, real estate developers and other strategic partners to secure the future revenue of the Weldtech Group;

— The intellectual property of the Weldtech Group's products and services will not be infringed upon in a manner which would materially affect the economic benefits attributable to the Weldtech Group; and

— The technology to be utilized by the Weldtech Group in implementing its business model will be viable and successfully deployed.

Note 1: The 3% terminal growth rate is an approximation that reflects the ongoing growth potential of the Weldtech Group's cash flows. It is determined based on the following considerations:

(1) increasing future electricity consumption in the PRC (due to economic growth and technology advances)

(2) increasing future electricity prices in the PRC

(3) long-term growth rate of the Weldtech Group, the energy saving industry and inflation rate in the PRC

We are of the view that the first two factors will increase the profitability and lead to higher cash flows of the Weldtech Group as well as the energy saving sector. For the last factor, the Weldtech Group's growth rate will fluctuate with economic and industry cycles with the terminal growth rate representing an average growth rate. Thus, it is generally assumed that the long-term industry/sector growth rate will lie between the GDP growth rate and the long-term inflation rate.

VALUATION METHODOLOGY

To develop our opinion of value for Weldtech Technology, we considered the three generally accepted approaches to value: the Cost Approach, the Market Approach and the Income Approach. We consider that Cost Approach is not applicable to this appraisal as it cannot reflect the fair market value of Weldtech Technology which is driven by the future revenue generated in the PRC. For the Market Approach, we consider that it is not reliable and accurate enough to draw a conclusion of the fair market value of Weldtech Technology without historical earnings record. Thus, based on the financial projections and relevant supporting documents provided by the Management, we concluded that the most appropriate method for valuing Weldtech Technology in this appraisal is the Income Approach.

The fair market value of Weldtech Technology is developed through the application of the income approach technique known as the discounted cash flow method. In this method, value depends on the present worth of future economic benefits to be derived from ownership of shareholders' equity and shareholders' loans. Thus, indication of value is developed by discounting future free cash flows available for distribution to shareholders and for servicing shareholders' loans to their present worth at market-derived rates of return appropriate for the risks and hazards of the subject business.

The income approach explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as cost savings, periodic income, or sale proceeds. We have applied the discounted cash flow method in appraising the economic benefits of Weldtech Technology. In practice, the discounted cash flow approach consists of estimating future annual cash flows and individually discounting them to present value.

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. When developing the discount rate to apply to the future economic income streams attributable to shareholders, the discount rate is the cost of equity. The cost of equity is developed through the application of the Capital Asset Pricing Model ("CAPM") with reference to the required rates of return demanded by investors for similar projects. A major requirement in generating the cost of equity is to identify companies that are comparable to the subject company in terms of business nature and associated risks. We have selected the same group of comparable companies, which have been used in generating the discount rate as mentioned above. In practice, we have selected comparable companies based on the following relevant factors: (1) products, (2) markets, (3) earnings and growth, (4) capital structure, (5) nature of competition and (6) the characteristics of driving underlying investment risk and expected rate of return. The comparable companies selected in this appraisal include (1) Guangzhou Zhiguang Electric Co., Ltd. (stock code: 002169.CH), (2) Tellhow Sci-tech Co., Ltd. (stock code: 600590.CH), (3) Tsinghua Tong Fang Co., Ltd. (stock code: 600100.CH), (4) Shanghai Yanhua Smartech Co., Ltd. (stock code: 002178.CH), (5) Pan Asia Environmental Protection Group Limited (stock code: 556.HK), (6) Wasion Group Holdings Limited (stock code: 3393.HK) and (7) EnerNOC, Inc. (stock code: ENOC.US). All comparable companies are engaged in the similar business.

The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. Under the CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risk assumed with adjustment for increments for risk differentials of Weldtech Technology being valued versus those of the comparable companies, which include risk adjustments for size (the "Small Capitalization Risk Premium") and other risk factors in relation to the comparable companies.

Small Capitalization Risk Premium

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. This premium reflects the fact that cost of capital increases with decreasing size of a company.

A number of studies were conducted in the U.S., which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from the CAPM model. For the case of Weldtech Technology, with reference to the 2010 Ibbotson SBBI Valuation Yearbook, 3.99% is considered as an appropriate small capitalization risk premium in our valuation model.

Company Specific Risk Premium

The specific risks associated with Weldtech Technology are its start-up risks related to the successful establishment and implementation of the Weldtech Group's business plan. Uncertainty results from the lack of historical data to support the forecasted revenue in the Projections and as a newly start-up business, the Weldtech Group requires some time to fine-tune its operations and marketing strategies. Besides, increasing competition is expected for the business segment served by the Weldtech Group despite a relatively high entry barrier for this industry. Thus, it is quite critical for the Weldtech Group to gain market share rapidly. To reflect these risks, an additional risk premium of 2% is applied in developing the cost of equity of Weldtech Technology.

After summing up the risk-free return (i.e. 4.03%), the cost of equity developed from CAPM (i.e. 9.46%), the small capitalization risk premium and the company specific risk premium, our analysis suggests that a discount rate of 19.48% is appropriate for valuing Weldtech Technology as at the Appraisal Date.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the U.S. in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted ("letter") stock studies.
- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

The statistics published in the Mergerstat® Review 2010 showed that the median price to earnings multiples offered for private acquisitions were smaller than those for public transactions over the last 10 years (from Year 2000 to 2009) and this difference suggested that the discount for lack of marketability for private controlling ownership interests was in a range of -1.66% to 52.04% and an average of 17.12%. With reference to these statistics, a lack of marketability discount of 20% is considered as reasonable for the equity interest of Weldtech Technology in this valuation.

CONCLUSION OF VALUE

Based on the above investigation and analysis, it is our opinion that the fair market value of a 100% equity interest in Weldtech Technology as at **28 February 2011** is reasonably stated by the amount of **HONG KONG DOLLARS THREE BILLION FOUR HUNDRED AND SIX MILLION (HK$3,406,000,000) ONLY**.

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

We hereby certify that we have neither present nor prospective interests in the Weldtech Group, the Company and its subsidiaries, or the values reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, *ASA*
Managing Director

Kelvin C.H. Chan, *FCCA, CFA*
Director

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation) of the American Society of Appraisers and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, the PRC and the Asian region for various purposes since 1988. Mr. Kelvin C.H. Chan is a CFA Charterholder and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

A. LETTER FROM THE FINANCIAL ADVISER

Piper Jaffray

The Board of Directors
The Hong Kong Building and Loan Agency Limited
Room 3501, 35/F, China Online Centre,
333 Lockhart Road, Wanchai,
Hong Kong

31 May 2011

Dear Sirs,

We refer to the valuation report (the "**Valuation Report**") prepared by Grant Sherman Appraisal Limited in relation to the appraisal of the fair market value of the 100% equity interests in the business enterprise of Weldtech Technology Co. Limited (the "**Weldtech Technology**"). The Valuation Report is included in this circular of The Hong Kong Building and Loan Agency Limited (the "**Company**") dated 31 May 2011 (the"**Circular**"). This letter is issued in compliance with the requirement under Rule 14.62(3) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("**the Listing Rules**").

We have reviewed the underlying forecasts (the "**Forecasts**") of the Valuation Report, for which you as the directors are responsible. We have attended the discussions involving the management of Weldtech Technology, the management of the Company and Grant Sherman Appraisal Limited in respect of the bases and assumptions upon which the Forecasts has been made, the calculations of the Forecasts and the historical performance of Weldtech Technology and its subsidiary. We have also considered the letter addressed solely to and for the sole benefit of the directors of the Company from HLB Hodgson Impey Cheng dated 31 May 2011 regarding the accounting policies and calculations upon which the Forecasts has been made as set out in Appendix VII of this Circular regarding the calculations of discounted future estimated cash flows.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by Grant Sherman Appraisal Limited, for which Grant Sherman Appraisal Limited and the Company are responsible, we are satisfied that the Forecasts, for which you as the directors of the Company are solely responsible, have been made by you after due and careful enquiry.

Yours faithfully,
For and on behalf of
PIPER JAFFRAY ASIA LIMITED
Stacey Wong
Head of Investment Banking

B. LETTER FROM HLB HODGSON IMPEY CHENG

31 May 2011

PRIVATE & CONFIDENTIAL

The Board of Directors
The Hong Kong Building and Loan Agency Limited
Room 3501, 35/F, China Online Centre,
333 Lockhart Road, Wanchai,
Hong Kong

Dear Sirs,

The Hong Kong Building and Loan Agency Limited (the "Company") and its subsidiaries (collectively, the "Group")

Comfort letter on forecast underlying the valuation on the entire equity interest of Weldtech Technology Co. Limited (the "Weldtech Technology") as contained in the Company's circular dated 31 May 2011 (the "Circular") — Very substantial transaction in relation to acquisition of the entire issued share capital of the Weldtech Technology

We report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 31 May 2011 prepared by Grant Sherman Appraisal Limited (the "Valuer") in respect of the Valuation on the entire equity interest of Weldtech Technology Co. Limited and its subsidiary as at 31 December 2010 as set out in Appendix VI of the Circular of the Company in connection with the proposed acquisition of the entire equity interest in the Weldtech Technology by the Company. The Valuation which is determined based on the discounted cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows for the valuation which is regarded as a profit forecast under Rule 14.62 of the Listing Rules.

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the accounting policies and calculations of the discounted future estimated cash flows on which the Valuation is based. The discounted future estimated cash flows do not involve the adoption of accounting policies.

The discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the entire equity interest in the Weldtech Technology.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out in Appendix VI of the Circular.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

TECHNICAL REVIEW FINAL REPORT

Month Year BBRT-03-2010-013

WeldTech Ultra Performance Plant Control (UPPC^{TM}) Technical Review

Prepared For:
Wise Planner Limited, a wholly owned subsidiary of
The Hong Kong Building and Loan Agency Limited (the "Company", collectively with its subsidiaries and associated companies, the "Group")

Prepared By:
Berkeley Building Research and Technologies, Inc

Prepared By:
Berkeley Building Research and Technologies, Inc
Peng Xu
Anthony Radspieler Jr.

Berkeley, CA 94720
Consulting Contract
Engagement Letter Signed: No. EL# 2010-12-16

Prepared For:
Wise Planner Limited, a wholly owned subsidiary of
Hong Kong Building and Loan Agency Limited

Contract Manager

Program Lead

Office Manager

Director

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EXECUTIVE SUMMARY

WeldTech makes a product called the Ultra Performance Plant Control (UPPC). It is designed to interface with existing central cooling plants in large commercial buildings, and its purpose is to optimize cooling plant performance in real time as to reduce energy consumption and demand while maintaining building comfort delivered by building mechanical systems. This report provides a technical evaluation of the technology and a review of a field test in a large commercial building with and without an UPPC during the Summer 2010.

From literature review and field experiments over the last two decade, it seems that an energy savings of 2–20% range with improved control is reasonable in many cooling plants. Energy savings percentage from cooling plant is independent to the size of the buildings. Building Energy Use Index (EUI) of large buildings is same to that of small ones. If a technology works well in small size cooling plants, it will work equally well in large cooling plants of similar type. From the literature, successful retrofits were conducted in cooling plant ranges from 350 tons to 12,338 tons. Several researchers and engineers have demonstrated the finding with different approaches and technologies in the US and China.

Compared with technologies in early research phase, UPPC seems to have captured all major features of these research outcomes, including advanced component modeling, supervisory optimization, global control, and real time calibration.

Compared with other existing commercial products, UPPC takes a whole solution approach rather than software only. It has both a software optimization platform and a proprietary hardware system to support the communication and the control. UPPC can optimize control not only for compressors or chillers, but also for chilled and cool water pumps, and cooling towers.

Compared with four other cooling plant control retrofit products, UPPC works better, especially in China. UPPC is the only commercial product that is switchable in the field. While other systems have to be embedded with the existing control systems and be an integrated section of the building control, building operators can switch UPPC on and off to compare the operations. How to quantify energy savings in China is always a problem and source of dispute for energy retrofit service. UPPC seems to have solved the problem from technical aspects.

BBRT independently exams the field data of 2010 from a building installed an UPPC in Shanghai to check data integrity and calculate energy savings. Comparing the metered data in the cooling plant on two similar days with and without UPPC, we estimate the saving is 27%. Most savings are from the auxiliary equipments. A detailed analysis using kWh/Ton versus outdoor temperature approach indicates the average savings on all testing days are 22.7%. We conclude that UPPC is feasible in commercial and industrial buildings in China and could potentially save a large amount energy and cost for building owners.

1. INTRODUCTION

WeldTech makes a product called the Ultra Performance Plant Control (UPPC). It is designed to interface with existing central cooling plant in commercial buildings, and its purpose is to optimize cooling plant performance in real time as to reduce energy consumption and demand while maintaining the building comfort delivered by the building mechanical system. This report provides a technical evaluation of the technology and a review of a field test in a large commercial building with and without an UPPC during the Summer 2010.

2. OBJECTIVES

The main objective is to evaluate the feasibility of UPPC and how much it can save in cooling plants of industrial and commercial buildings. As a starting point, BBRT evaluates the method and theory and determine whether the technology is innovative and realistic. Then, BBRT compares the technology with other similar methods that have been developed and applied in the field. At the end, BBRT exams the pilot test results and to check whether the energy savings is justifiable and inline with what was claimed. BBRT has completed the following tasks.

- Evaluate the theory and the method
- Compare the technology with the existing technologies
- Exam control and hardware system
- Check the genuineness of field test data and estimate the saving potential

3. METHODS AND THEORY

3.1. Energy Saving Opportunities

A typical Heating Ventilation and Air-Conditioning (HVAC) system in a large building consists of air delivery systems that provide conditioned air to the spaces to offset the building loads. The building boiler and chiller plants provide hot and cool water to the air delivery systems to maintain the building at desired temperature and humidity. A cooling tower rejects heat from the chillers compression refrigeration cycle. Centrifugal pumps deliver chilled water from the chillers to the air handling units (AHU) and the condenser cooling water from the cooling tower to the chillers (Figure 1).

Buildings mechanical systems can be divided into two sections. Cooling and heating demands happen at zones and mechanical system must deliver or remove equivalent amount of heating to or from the zones. Loads and operating conditions affect energy use, but are uncontrolled variables. The loads, space conditions and outside environmental conditions are constraints that are dictated to, and must be handled by, the HVAC system. Largest energy consumption of energy is at the cooling plant, where excessive heat is removed and rejected to the exterior environment.

In conventional HVAC system control, cooling plants and other mechanical devices are not controlled to minimize the energy usage, but to control operation and to maintain comfort. In a typical variable air volume HVAC system and central plant, the system set points are not optimized on-line to minimize system energy use. The fundamental control strategy involves a series of nested feedback control loops, with the set points of the feed back loop prescribed by operators or by a mapping to other system conditions.

However, operators typically select these set points with little consideration of energy consumption. Sometime, it is hard to judge what the optimal set points are without real time calculation. For example, chilled water that is pumped to the air cooling coils is maintained at a selected temperature by modulating chiller output. Typical chilled water set points are in the range of 5 to 9°F. In many systems, the chilled water set point is reset upward as the load on the chiller is decreased to reduce chiller energy demand and consumption. While such a reset scheme will reduce the chiller power draw, it will also effect pumping power and potentially fan power, so the reset may actually increase overall system energy use. Without real time modeling and optimization tools, operators cannot calculate the trade off between different power use components and thus most systems run inefficiently.

On the other hand, many cooling plant systems are not configured to operate efficiently at part load. For example, chilled water pumps are often constant volume, constant speed devices requiring no control. In other cases, secondary chilled water pump speed is modulated to maintain a set pressure differential at some distant point in a chilled water-piping loop. Power is wasted by valves and recycling through water loops under partial load conditions.

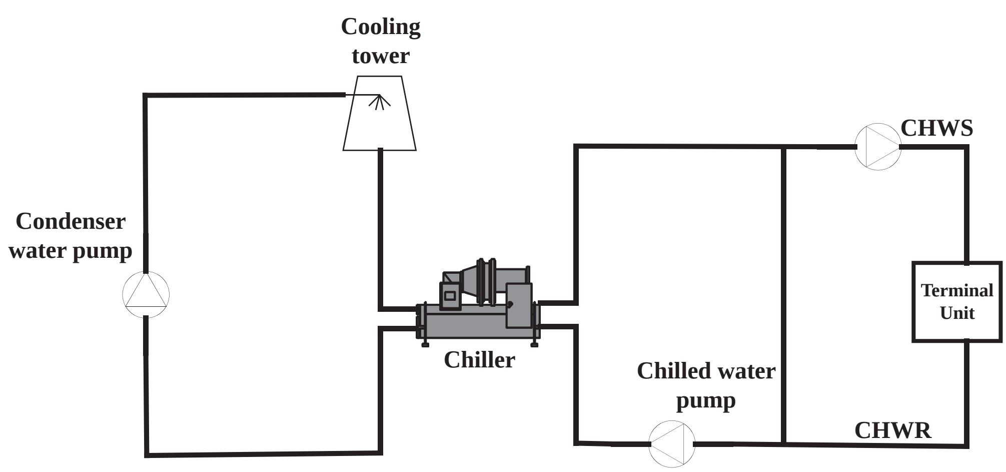

Figure 1 Typical cooling plant diagram

Cooling plants consume a large amount of energy. In Hong Kong, for example, at least 40% of the energy used in buildings is for cooling the space. Given the reasons above, many cooling plants are running inefficiently. Many factors besides the chiller affect efficiency. Auxiliary equipment, such as pumps and cooling towers, affect and are affected by chiller operation. Proper controls can be a key factor in meeting constantly changing building requirements in the most effective manner. A good control system will consider all elements of the cooling operation, including cooling towers, pumps, variable frequency drives (VFDs), heat exchangers and the control valves in the primary and secondary water loops. Energy savings in cooling plants has no relationship to the size of the plants. Large cooling plants could run efficiently or inefficiently. The condition depends on the quality of control systems or the amount of attentions operators pay. Typically cooling plants can run 20–50% more efficiently if adequate controls and equipments are applied.

3.2. Ultra Performance Plant Control (UPPC)

WeldTech's UPPC system uses a supervisory control method to optimize the cooling plant control. The optimal supervisory control determines an optimal solution (operation mode and setpoints) that minimizes overall system energy consumption or operating cost while still satisfying the cooling load. Conventionally, in China, different buildings have different cooling plant configurations and cooling plants are running on personal experiences of operators. For different types of HVAC systems (i.e., chiller types, system with and without VFD, systems with and without automated control systems, etc.), the optimal supervisory control problems are significantly different.

WeldTech developed a model-based supervisory control system. At the very bottom, control system collects operation information, such as temperature, flow rate, and pressures from the mechanical devices, the information is then passed through an I/O interface and control panels to a central computer. The computer uses a simulation model to optimize the energy consumption in real time by trying set points with different values. Many factors affects the optimal solution of these set points values, for example, different utility rate structures or weather conditions will lead to different solutions. For a given set of specifications for a targeted application, sometimes there exist several supervisory control optimal methods and the control logic will choose which one to use based on easy of operations and hardware limitations.

WeldTech developed a software system with optimization algorithm modules compiled from mathematical models and optimization programs. Other than the searching for optimal solutions, the software administrates the periodic data collection and sends commands to the control devices.

WeldTech has applied eight patents in total. Two of them are patents of inventions and six of them are patents of utility model. The utility model patents were all approved, while the patents of invention are pending for approval. In addition, WeldTech filed 2 Patent Cooperation Treaty (PCT) applications. The approved patents include:

- Chiller energy consumption control setup
- Chilled water pump energy consumption control setup
- Cool water pump energy consumption control setup
- Cooling tower energy consumption control setup
- Cooling tower model-based control setup

3.3. UPPC Hardware System

Besides sensors and control elements at the very bottom, the UPPC System employs a mainframe computer and industrial programmable logic controllers (PLCs) as core hardware components. An I/O interface before PLCs collect information and send signals to valves and variable frequency devices (VFDs). The RS485 serial communication method is used between the host computer (mainframe) and PLCs (control devices), with a maximum connection speed of 115.2K bps.

Since many cooling plants in China have no building automated control system yet. WeldTech has developed a library of common used sensors and actuators. These elements are not manufactured by WeldTech, but they are commonly used industrial control devices and readily available on the market. The sensors and actuators include: motorized isolation valve, temperature transducer, water flow meter, differential pressure transducer, power transmitter, outdoor temperature and humidity transducer.

UPPC uses many VFD to control pumps and chillers for partial load optimization. Pump flow rate for chilled and condenser water pumps is sized per the building's design load, typically maximum load with margin for extra. However, 90% of the time, the system is running under partial load conditions. VFDs are devices regulate pump speed allows for convenient adjustment of flow rate and reduce the pumping energy during part-load operation. WeldTech do not manufacture these VFDs, but the company used reputable products, such as ABB for reliable controls.

4. EXISTING TECHNOLOGIES

4.1. Research activities

Many researchers and experts in the HVAC field have devoted considerable efforts on development and application of proper control methods for particular applications, especially during the last two decades. Numerous research papers and technique articles, and dozens of textbooks that specifically address HVAC control and operation, can be found in literature (Honeywell 1989; Levenhagen and Spethmann 1993; Wang and Jin 2000; Zaheer-uddin and Zheng 2000; Hordeski 2001; Haines and Hittle 2003; Nassif et al. 2005; Wang 2006; etc.).

Supervisory control in HVAC systems could be classified into four categorizes, including model-based supervisory control method, hybrid supervisory control method, performance map-based supervisory control method, and model-free supervisory control method. Such classification may not be perfect enough since there are no clear boundaries among some control methods. However, it can provide a very useful and helpful basis for comparing advantages and disadvantages among different control methods. According to this classification, the control methods using physical models, gray-box models, and black-box models can be classified into the category of model-based methods, while the methods using expert systems and pure learning approaches can be grouped into the model-free category. It is also very helpful for identifying the strengths and weaknesses of each method, as well as for analyzing the feasibilities of their online applications. We selected examples below to compare UPPC and with the technologies in research phases.

Ramirez (1994) provides a discussion of the steady-state optimization problem and outlines a variational calculus approach to finding optimum set points. Ramirez points out that for unconstrained extrema, the optimum can be found by setting the first partial derivative with respect to the controlled variables equal to zero and solving. This is the approach used by Braun (1988) in the application of a quadratic cost function for system wide optimization of HVAC systems. Ramirez also describes a method for optimization of systems with equality and inequality constraints using LaGrange multipliers and variation approaches.

Johnson (1985) presents techniques for chiller plant optimization using programmable logic controllers. Consideration is given to optimal sequencing of chillers in multiple chiller plants based on performance maps at particular wet-bulb temperatures and loads. Johnson notes that optimum condenser water set points for a particular chiller/cooling tower combination will occur when sum of demands from the associated equipment is minimized. Johnson then proposes that a performance map of the equipment can be constructed by knowing the performance of the pieces of equipment at various loads and conditions.

Spethmann (1985) examined methods for establishing part load energy characteristics for chillers and for using the energy characteristics to establish better control for multiple chiller plants. They made attempts to minimize chiller plant energy use through switch-over from one operating mode to another based on chiller efficiency at various load levels. Optimal chiller changeover states are important to efficient plant operation, but they did not consider variation of set points or system-wide energy usage effects in his study.

Sud (1984) completed a research project with detailed simulation of HVAC systems to explore optimal equipment operational strategies. To study the effects of variation in system operating modes and set points, Sud developed a detailed simulation of a particular building using complex building and system models. While this simulation provided interesting insights into the optimization of HVAC system, Sud's approach, by his own admission, was far too complex to be used in an online supervisory control system. This was not a problem in Sud's work since online supervisory control was not the goal of his research.

Braun (Braun, Diderrich, 1990; Braun, et al., 1989; Braun, et. al., 1987) has spent considerable effort on a number of research projects for optimal control of building HVAC systems. Braun, et al., (1987) authored a paper where simplified component models where used to model a chiller/cooling tower combination. Braun proposed using a quadratic cost function of controlled and uncontrolled variables to model and minimize energy use of chillers and cooling towers. The component models were never used for on-line supervisory control. Subsequently, Braun (1989) expanded the notion of using a quadratic cost function so that all of the energy using HVAC equipment could be modeled and minimized. Using a quadratic function for minimization resulted from the fact that a quadratic can be minimized by setting the first derivative of the function equal to zero and solving for the optimal controlled variables. Braun demonstrates the use of the method using simulations of the Dallas/Fort Worth Airport. While this method is simple and results in linear control laws that are easily implemented, it appears to lack the robustness to work properly on all buildings all of the time. The conclusion that Braun's method is not robust is one of the findings of this research project.

Kaya and Sommer, (1985) did a research on multilevel control and optimization of a chiller system. The system consists of multiple chillers, feed pumps, and cooling towers. The first level contains control loops for chilled water temperature, vane position, and condenser water temperature. Second level controls provide supervisory adjustments of set points of first level controls. Third level is optimum load allocation of chillers and pumps. A fourth level supervisory deals with the coordination of conflicting goals of subsystems to provide a load strategy.

Wang, (1998) used dynamic models of centrifugal chillers, heat exchangers, seawater and chilled-water networks, cooling coil, actuator, sensor, variable-speed pump and Digital Device Control (DDC) controller of Energy Management and Control System (EMCS) are developed to simulate the dynamics of a seawater-cooled chiller system controlled by EMCS on-line strategies. The on-line control strategies (i.e. adaptive and derivative strategies) developed for the central chiller system are tested and evaluated by applying them to control the simulated living chiller system under different AHU dynamic loads.

Curtiss, et. al., (1992) developed a neural network method for minimization of an HVAC system global energy use. The model consists of two neural networks. The first uses a vector of controlled and uncontrolled variables to predict actual system energy use, while the second neural network finds controlled variables that minimize predicted energy use. This overall system energy use regression method consists of generating a neural network model of the system, and then using a gradient search method to find the set of controlled variables that minimizes the modeled energy use. Compared to Braun's quadratic model, the neural model is more flexible, but it can't be differentiated and therefore a gradient search method must be implemented to find the predicted minimums. A part of this research project explores viability of using Curtiss' method for online supervisory control.

These studies build up the fundamental work for later studies after 2000. With increasing computational power from PCs, researchers are trying even more complicated methods to improve cooling plant real time optimal control. We summarized these studies after 2000 in the following:

Ahn and Mitchell, (2001) developed an optimal supervisory control strategy for the set points of controlled variables in the cooling plants by computer simulation. A quadratic linear regression equation for predicting the total cooling system power in terms of the controlled and uncontrolled variables was developed using simulated data collected under different values of controlled and uncontrolled variables. The optimal set temperatures such as supply air temperature, chilled water temperature, and condenser water temperature, are determined such that energy consumption is minimized as uncontrolled variables, load, ambient wet bulb temperature, and sensible heat ratio are changed. The chilled water loop pump and cooling tower fan speeds are controlled by the PID controller such that the supply air and condenser water set temperatures reach the set points designated by the optimal supervisory controller.

Hugh Crowther, (2004) tried an hour-by-hour optimization scheme in buildings. He emphasized controls logic and design conditions and how they can be used to optimize chiller, cooling tower and condenser pump system performance throughout a year. A software model of hour-by-hour energy use for a typical office building in three cities demonstrates the effect of different cooling seasons and wet-bulb profiles.

Jin, et. al., (2007) studies methods to optimize the controls for chiller systems, the performance of variable water volume (VWV) systems and characteristics of control systems. They studied three different strategies through controlling supply chilled water temperature and supply head of secondary pump.

Lu, et. al., (2005) did a study on the global optimization technologies for overall HVAC systems. The objective function of global optimization and constraints are formulated based on mathematical models of the major components. All these models are associated with power consumption components and heat exchangers for transferring cooling load.

Ma and Wang, (2009) studied online control of central chilled water systems in complex building air-conditioning systems to enhance their energy efficiency. The optimal control strategy is formulated using a systematic approach by considering the system level and subsystem level characteristics and interactions among the overall system. The requirements and constraints of practical applications are also carefully considered during the development of this strategy. This optimal control strategy consists of the model-based performance predictor (i.e., simplified models), cost estimator (i.e., cost function), optimization technique, supervisory strategy and a number of local control strategies. The local control strategies are used to ensure the robust operation and keep track of control settings considering the dynamic characteristics of the local process environment.

Massie, (2002) tried to develop optimal neural network-based controller for an ice thermal storage system. The controller consists of four neural networks, three of which map equipment behavior and one that acts as a global controller. The controller self-learns equipment responses to the environment and then determines the control settings required to minimize operating cost.

Yu and Chan, (2008) studied how to apply optimum condensing temperature control and variable chilled water flow to increase the coefficient of performance (COP) of air cooled centrifugal chillers. A thermodynamic model for the chillers was developed and validated using a wide range of operating data and specifications. The model considers real process phenomena, including capacity control by the inlet guide vanes of the compressor and an algorithm to determine the number and speed of condenser fans staged based on a set point of condensing temperature. There is 16.3–21.0% reduction in the annual electricity consumption of the building's chiller plant.

4.2. Energy savings and size of cooling plants

In theory, size of cooling plants should have little relationship to the percentage saving potentials. For example, if a constant pump is changed into a variable speed pump, under partial load conditions, the percentage of saving is the same, regardless of the size of the pump. In practice, large cooling plant is more complicated than small cooling plants, and their water pipes are longer than small plants, their systems could run very inefficiently as well. On the other hands, small cooling plants sometimes can be neglected and poorly maintained, while large plants have dedicated operators.

Literature review proved the above observation. Deng and Burnett (2000) did an energy consumption survey of 16 hotels in Hong Kong. An average Energy Use Index (EUI) based on unit floor area has been derived for hotel buildings in Hong Kong using energy consumption data. The breakdown of energy use showed that electricity dominated total energy consumption and that, on average, about one-third of total energy was used for air conditioning. A number of factors that affect the energy use in hotel buildings, such as year of construction, hotel class, etc.. The survey found no relationship between size of cooling plant and EUI. In that sense, large cooling plants were no more or less efficiently operated than small size cooling plants. As such, if a technology can improve cooling plant efficiency, it should be able to improve all size of, from small to large, cooling plants proportionally.

We studied the relationship between the cooling plant retrofit savings to the size of the plants. We listed four real case studies to compare. All these projects are in the Greater China area. The technical conditions and the level of building automation system will be similar to the buildings that UPPC will be used for in near future.

Case study No. 1 (Ma and Wang, 2009):

This building in Hong Kong is a super high-rise building of approximately 490m height and 321,000m^2 of floor area. The space is offices at low levels and a six-star hotel on the upper floors. The optimal control strategy is formulated using a systematic approach by considering the system level and subsystem level characteristics and interactions among the overall system. This optimal control strategy consists of the model-based performance predictor (i.e., simplified models), cost estimator (i.e., cost function), optimization technique, supervisory strategy and a number of local control strategies.

Case study No. 2 (Yu and Chan, 2008):

The building, located in Hong Kong, has 40 storey and a total air-conditioned floor area of 42,840m^2. The control strategies employed in this project was to correlate the VSD speed to building cooling load ratio, namely PLR. These strategies are simple and a forward control method was used.

Case study No. 3 (Yao, et al., 2004):

The cooling system provides chilled water for a 412 apartments building (35,512m^2 in total area) that are located in Changsha City, Hunan province of China. The control strategy for this project is to conduct enough field test to gain enough field data to correlate them into pre-specified mathematical models. A supervisory control strategy was written into an EMCS control system for real-time control.

Case study No. 4 (Chang et al., 2006):

This project is an office building located in Taipei and its chiller plant is consisted by four 400 tons chillers. They used an optimum chiller loading strategy to improve the chiller control.

We summary the results of these case studies into the following table. We do not observe the relationship between sizes of cooling plants to energy savings percentages. The percentage savings mostly depend on how systems were built and maintained. If UPPC performances well to the small cooling plants, it should be able to save same percentage of energy in large cooling plants with similar systems.

Table 1 Cooling plants case studies

Case Studies	Building	Locations	Tons	Energy Saving (%)
No. 1	High-rise	Hong Kong	12,338	1.28–2.63
No. 2	Office	Hong Kong	1,820	5.3
No. 3	Residential	Chang Sha	1,350	9.2
No. 4	Office	Taipei	1,600	2.06

4.3. Summary

All the studies in the US and in the Greater China Area proved that the opportunity to improve cooling plant efficiency with optimization and improved control does exist. The savings has no relationship to the size of the cooling plants. Successful field tests in real buildings range from 350 tons to 12,338 tons, while most of tests were conducted in 1500-ton cooling plants. From the field study, the saving ranges from 2–20%. However, major of those studies are conducted by academic research institutes and only very few of them are commercialized in the industry. Four commercial systems have been developed and have been tried in the field.

4.4. Commercialized systems

We summarize four technologies developed in North America and compare them with UPPC from WeldTech.

Table 2 UPPC and CoolTools™

<table>
<tr><td>Description</td><td colspan="2">CoolTools™ Chiller Plant Design and Specification Guide is the outcomes from PG&E CoolTools Project. This is software only tool with a user guide. Within this guide, performance models for chillers, cooling towers as well as pumps are properly developed, which can be calibrated according to manufacture data or on-site measurements. To apply CoolTools™, performance models should be firstly developed, basing on equipment models, annual simulations with different control strategies such as chilled water supply temperature reset are carried out to find out the most appropriate control strategies for a specific project. Once these control strategies are developed, operators need to write them into control systems for real-time control.</td></tr>
<tr><td rowspan="2">Difference between CoolTools™ and UPPC</td><td>CoolTools™</td><td>UPPC</td></tr>
<tr><td>1. Annual simulations performance should be carried out before the control system is developed.

2. A near optimal control algorithm for a specific chiller plant is developed rather than a global optimized and general control algorithm.

3. Energy saving heavily depends on the accuracy of models developed and it is hardly possible to consider possible equipments' performance degrading.</td><td>1. Optimized algorithms are embedded into control system for real time control and simulations are carried out at each time step.

2. With proper optimized algorithm and accurate equipment models, global optimized control algorithm can be easily configured for different chiller plants.

3. Optimized algorithms operate in a real time control system and the accuracy of the models can be maintained through advanced on-line calibration algorithms.</td></tr>
<tr><td>Advantage</td><td>● Off-line simulations with different strategies are carried out, thus less computation demanding for its real time control use.

● Proper model libraries are developed to facilitate development of the plant models.

● Once the control strategies are successfully simulated, a forward open-loop control algorithm will be will be written into a real time control system, therefore, less demanding on the control system development and sensors.</td><td>● UPPC has a hardware system to support data collection and analysis.

● UPPC is an all-round system integrated with both software and hardware for real time control and simulations while CoolTool is software only and it must be embedded with the existing control system.</td></tr>
</table>

Table 3 UPPC and SmartCool™

<table>
<tr><td>Features</td><td colspan="2">Smartcool's green technology is specifically designed to reduce the electricity usage (kWh) and demand (KW) of refrigeration and air conditioning compressors while maintaining temperature and humidity performance. Conventional controls, including the most sophisticated Building Management Systems (BMS) and state-of-the-art refrigeration controls, operate only on reaching pre-programmed fixed (static) values to switch compressors off and on or adjust capacity. Rather than replacing existing controls, Smartcool's ESM™ and ECO^{3} ™ interface directly with these controls to optimize the compressors and achieve greater energy efficiency. The ESM™ and ECO^{3} ™ use proprietary software to dynamically analyze the compressor cycles, achieving an overall reduction in run time without causing over cycling.</td></tr>
<tr><td rowspan="2">Difference between SmartCool™ and UPPC</td><td>SmartCool™</td><td>UPPC</td></tr>
<tr><td>1. Smartcool is mainly concerned with optimization of compressors for chillers and heat pumps, rather than a chiller plant;

2. Compressors' run time is the mainly control target within a Smartcool control system.</td><td>1. UPPC is a global optimized control system for the whole chiller plant with chillers, pumps and cooling towers, rather than just individual equipment;

2. A global optimized algorithm will be carried at each time step for a UPPC control system and the lowest energy consumption will be achieved through the proper control of the whole chiller plant.</td></tr>
<tr><td>Advantage</td><td>● Dedicated to optimize compressor, so it is easy to be implemented and minor demanding on the sensors or other meters.</td><td>● UPPC can not only optimize chillers control, but also the chilled water loop, cool water loop, and auxiliary equipment control.</td></tr>
</table>

Table 4 UPPC and ARMSTRONG™ IPC 11550

<table>
<tr><td>Features</td><td colspan="2">The Armstrong IPC 11550 ultra-efficient chilled water plant control system is a controller for fully integrated control of commercial chilled water plants. The IPC 11550 system employs the Hartman LOOP® Natural Curve sequencing logic to ensure that the variable speed chillers are always operating as close as possible to their maximum efficiency for a given entering condenser water temperature (ECWT) or ambient air temperature. This control system is suitable for large commercial and industrial buildings and can only be tailored for all-VFD plants with equal size variable speed centrifugal chillers. They cannot be used for systems with constant speed chillers, including screw and centrifugal chiller, and customized design is not available.</td></tr>
<tr><td rowspan="2">Difference between IPC 11550™ and UPPC</td><td>IPC 11550</td><td>UPPC</td></tr>
<tr><td>1. IPC 11550 is only applicable to a chiller plant that has VSD chillers, VSD pumps, VSD cooling towers, which should also be equally sized;

2. The IPC11550 system is based on the Hartman Loop Technology that patented a sequence formula particularly and only applicable to VSD chillers. The Hartman Loop method does not have model-based algorithm and mathematical solutions for all of equipment in a chiller plant. Therefore it is unable to achieve the minimum energy use of the entire chiller plant.

3. The system has poor universality and as a result low market potential. It is only suitable for U.S design of chiller plants, where equal sized, all-VFD chillers have to be used.</td><td>1. UPPC is compatible with both fixed or variable speed chillers; VSD Chilled water pumps; VSD Condensing water pumps; VSD, constant speed, or two-speed cooling tower fans.

2. A global optimized algorithm will be carried at each time step for a UPPC control system and the lowest energy consumption will be achieved through the proper control of the whole chiller plant.

3. The system has great universality, i.e. being customizable according to the design of chiller plants in China and other countries. It is compatible with systems of various capacities, and flexible for customized design for fixed and variable speed chillers.</td></tr>
<tr><td>Advantage</td><td>● For all variable speed chiller plant, IPC 11550 can be easily adopted and the total energy consumption of the chiller plant can be optimized in a near optimal way.</td><td>● UPPC seems to have better algorithm and hardware systems for buildings in China. IPC11550 only works in buildings with robust control systems.</td></tr>
</table>

Table 5 Chiller Plant Optimizer™

<table>
<tr><td>Features</td><td colspan="2">The Chiller Plant Optimizer™ is provided as a stand-alone distributed control unit that can interface with the typical building automation system. It uses a patented method with a unique application system. The control strategies are prepackaged in the controller using open source software logic. The primary strategies offered are: Condenser Water Temperature Reset, Cooling Tower Temperature Relief and Variable Condenser Water Flow Rate.</td></tr>
<tr><td rowspan="2">Difference between Chiller Plant Optimizer™ and UPPC</td><td>Chiller Plant Optimizer™</td><td>UPPC™</td></tr>
<tr><td>1. A stand-alone control unit dedicated to condenser water loops rather than achieve the over-all energy efficiency of the chiller plant.

2. Only three condenser water control strategies are provided, which can only be used to determine the operation status of cooling towers, condenser pumps and chiller condenser side. It is not possible to extend its strategies to chilled water side.</td><td>1. UPPC optimization algorithm takes energy efficiency of the entire chiller plant as a control objective, taking into consideration the different work conditions of chillers, cooling towers, chilled water pumps, and condenser water pumps to achieve integrated optimization.

2. The least energy use of a chiller plant is accomplished when a number of operating variables are optimized and achieves overall energy-efficiency of the entire chiller plant, including chilled water pumps, condenser water pumps, chillers, and cooling towers.

3. Accurate and universal system models are employed and can easily predicate possible optimum operation points.</td></tr>
<tr><td>Advantage</td><td>● It is dedicated to condenser water loops and therefore easier to be implemented. The initial cost may be low due to its limited control strategies.</td><td>● UPPC can not only optimize water loops, but also chillers and cooling tower. UPPC system is more sophisticated and developed with the other.</td></tr>
</table>

4.5. Feature comparison

Different optimization method and commercial system have different features. To summary the comparison with the research and the existing commercial product, we made the following table to compare the key features. Generally speaking, more features a system has more energy savings it can capture. However, some features are too advanced and not suitable for commercial product yet. For example, dynamic models are better than static models for optimization, but they are unstable and hard to calibrate and thus no one have used them in the field.

Table 6 Feature Comparison UPPC and others

Chiller Plant Control Method	Massie's	Ahn's	Hugh's	Ma's	Jin's	Kaya's	LuLu's	Chiller plant Optimizer	SmartCool	CoolTools	ARMSTRONG IPC11550	**UPPC**
Optimization	X	X	X	X		X	X	X	X	X		X
Global Control		X		X		X	X				X	X
Real Time	X	X	X	X	X	X	X	X	X	X	X	X
Commercialized								X	X	X	X	X
Field Test	X			X	X		X	X		X	X	X
On-line calibrated	X											X
Non-equally sized plants		X		X	X	X	X	X				X
Chiller cycling		X	X	X		X			X	X	X	X
Forward Prediction	X											
Water Loops Control												X
Switchable system									X			X
Secondary system control										X		X
CSD/VSD Chillers[1]	CSD/VSD	CSD/VSD	CSD/VSD	CSD/VSD	CSD/VSD	CSD/VSD	CSD/VSD	CSD/VSD	CSD/VSD	CSD/VSD	VSD	CSD/VSD
Public/Proprietary Models	Public	Public		Public		Public	Public			Public		Public/Proprietary
Proprietary Hardware System									X		X	X

[1] CSD stands for constant speed drive, VSD stands for variable speed drive

From the table, UPPC seems to have more features than most of the existing technology and systems. It is easily understood because UPPC is the newest technology among all the existing ones. Also, UPPC is the only system with proprietary models and dataset. The four other commercialized products are all using published models from researchers. While all other features are open to public, UPPC's models take time to develop. The accuracy of the model and their supporting dataset are the key of the optimization scheme. The dataset takes time to developed and accumulate. Over time, more projects UPPC is used, more calibrated model for HVAC hardware system will be developed. Once a large set of calibrated models library is built, competitors are hard to catch up because they can not find these information from public data source.

We summarize WeldTech UPPC's key advantages over other existing systems as followings:

- **From pervious research results, model-based approaches are more successful than gray-box or statistic data-driven models. UPPC uses online real time modeling as the baseline for optimization. It seems that WeldTech chose the right optimization scheme to improve cooling plant efficiency.**

- **Compared with technologies in early research phase, UPPC seems to have captured major features of the research outcomes, such as real time calibration, adaptive control, global control, and supervisory optimization. UPPC does not have some fancy or unproved features such as dynamic modeling and forward predicting. It is unsure how stable and reliable these technologies are in the field.**

- **UPPC takes a whole solution approach. It has both a software optimization platform and a proprietary hardware system to support the control. Compared with other commercial products, UPPC does not rely on existing control infrastructure and can work with any cooling plants.**

- **UPPC can optimize not only compressors or chillers, but also chilled and cool water pumps. Some commercial systems in the market can only improve chiller or compressor efficiency, while others can only improve water loop set point schedules.**

- **All other commercial systems use public component simulation models. These models have been in public domain many years and it is easy for competitors to develop similar systems. UPPC has its own proprietary models and they seem to be better in real time simulation and calibration.**

- **Adaptive simulation and control are relatively new and few people have successfully used them in the real application. WeldTech seems to have gained enough experience of it and have created a library of dataset for chiller modeling and calibration.**

- **UPPC is the newest technology in this field and it seems that UPPC has made significant improvement over the existing products. In order to keep a leading role in this field in future, WeldTech should quickly expand its dataset of calibrated models for HVAC equipments. Once a full library dataset is built, it is hard for competitor to mimic and rebuild a similar system.**

- **One risk of centralized optimal control is the failure of communication or the main console. UPPC seems to have solved the problem with low level PLC controllers. The controller has certain intelligence and can function by itself without signal from the central computer.**

- **UPPC is the only commercial product that is switchable in the field. While other system has to be embedded with the existing control systems and be an integrated section of the building control, UPPC can be switched on and off. Thus, users can easily judge the energy saving from the retrofit project.**

- **It seems that WeldTech's technology has several advantages over its main competitor ARMSTRONG IPC11550 in both China and North America market. In China, normally the cooling plant is manually controlled by building operators and the central control system does not exist. Therefore, an optimization system with hardware device is more welcomed than the software only. In building with automated control, one technical barrier for software system is the communication with existing proprietary building information systems. In the US and other developed countries, optimization scheme must be embedded within the existing control system and sometime it is difficult to install because the proprietary communication protocol is not available to the public.**

5. ENERGY SAVINGS FROM FIELD TESTS

5.1. Field test set up

BBRC exams the results of a field test with UPPC. The field test is carried out in a building called Corporate Avenue building, which is neighbor to world-renown Shanghai Xintiandi, in proximity to the Huaihai Road Commercial District. The Corporate Avenue building consists of two office towers with a combined floor area of approximately 78,000 square meters. Corporate 1 Avenue, one of the office towers, is a 25-story commercial high-rise. The building recaptures elegant architectural styling reminiscent of "Old Shanghai" from the 1930s, and is a new landmark to Shanghai's commercial real estate. The chiller plant of Corporate 1 Avenue is located on level B2. Prior to the retrofit project it runs on a primary constant-flow and secondary variable-flow system.

The original control system for this chiller plant monitors the on-off status of different equipments, and controls the secondary pumps according to the differential pressure setpoints. Other control functions such as staging of different equipments or temperature reset are manually realized by operators.

Table 7 Major equipment list (Corporate 1 Avenue Chiller Plant)

Equipment	Qty	Specifications	Brand	Remark
Centrifugal chillers	4	800RT, chilled water 7/12°C, condenser water 32/27°C	Carrier	Constant speed
Primary chilled water pumps	4+1	Flow rate 480m^3/h, power 37kW, pump speed 1450rpm	PACO	Constant speed
Secondary chilled water pumps	2+1	Flow rate 960m^3/h, power 90kW, pump speed 1450rpm	PACO	Variable speed
Condenser water pumps	4+1	Flow rate 555m^3/h, power 45kW, pump speed 1480rpm	PACO	Constant speed
Cooling towers	4	Heat extraction rate 4300kW, fan motor power 38kW (9.5kW x 4)	Marley	Dual speed

WeldTech installed a UPPC System to the existing cooling plant. The equipment list is as the following table.

Table 8 UPPC equipment list

Equipment	Unit	Qty	Brand	Monitoring Point
Industrial control computer (with 15" touch-screen)	set	1	Phoenix	
Optimization algorithm and control software	suite	1	WELDTECH	
Industrial Ethernet connection software	suite	1	Phoenix	
PLC+ I/O Substation 1	station	1	Phoenix	
Electromagnetic flow-meter	piece	2	KROHNE	primary/secondary chilled water flow
Temperature transducer Pt1000	piece	2	Honeywell	supply/return chilled water temperature
Differential pressure transducer	piece	1	HUBA	DP of supply/return chilled water pipes
Three phase AC power transmitter	piece	5	Yong Wei	primary chilled water pump input power
Three phase AC power transmitter	piece	3	Yong Wei	secondary chilled water pump input power
Primary chilled water pump VSD	unit	5	ABB	primary chilled water pump VSD control
Secondary chilled water pump VSD	unit	3	SIEMENS	secondary chilled water pump VSD control
PLC+ I/O Substation 2	station	1	Phoenix	
Chiller MODBUS module	unit	4	Carrier	
Outdoor temperature and humidity transducer	piece	1	GREYSTONE	outdoor temperature and humidity

Equipment	Unit	Qty	Brand	Monitoring Point
Electromagnetic flow-meter	piece	1	KROHNE	condenser water flow rate
Temperature transducer Pt1000	piece	2	Honeywell	supply/return condenser water temperature
Three phase AC power transmitter	piece	5	Yongwei	condenser water pumps input power
Three phase AC power transmitter	piece	8	Yongwei	cooling tower fan input power
Condenser water pump VSD	unit	5	ABB	condenser water pumps speed control

Once the installation of software and hardware for UPPC systems were completed, the chiller plant can be controlled by its original BA system or UPPC system, these two control system are switchable according to operation conditions. Thus, even the chiller plant of Corporate 1 Avenue has installed, the energy performance can be measured by activating its original control system, which is also the way this filed test are employed.

5.2. Data integrity

The dataset BBRT received records the performance of the cooling plant from 2010-6-1 to 2010-10-11. The data includes outdoor temperature, water temperatures, number of equipments in operation, water flow rate, and power consumption. In total, 26 data points and 56931 lines of data were recorded. We used the following methods to check the genuineness and integrity of the data set to ensure no artificial manipulations were made.

- Compare data set 2009 to data set 2010 to see any significant change of system
- Compare data of swing seasons to summer seasons to check whether weather data is normal
- Compare data on weekends to weekdays to ensure operating schedule is normal
- Check energy balance of water system
- Check mass flow balance of water system
- Use psychometric chart to check integrity of air side data
- Check noise and randomness

It is easy to change data for certain numbers of days or certain data points. However, it is hard to manipulate the whole data set and so the dataset meet all the physical rules. After checking the data integrity, we found no signs and evidences of data manipulations. The data and the energy savings were consistence from 2009 to 2010.

5.3. Results

The following figures give a comparison of energy consumption for two days before and after retrofit with UPPC. It is shown that for periods with similar outdoor conditions (cooling load closely matching outdoor conditions), measurements of total chiller plant energy consumption significantly decreased after retrofit with the UPPC system. The saving is about 20–30%.

Chiller Plant Power Before and After Retrofit

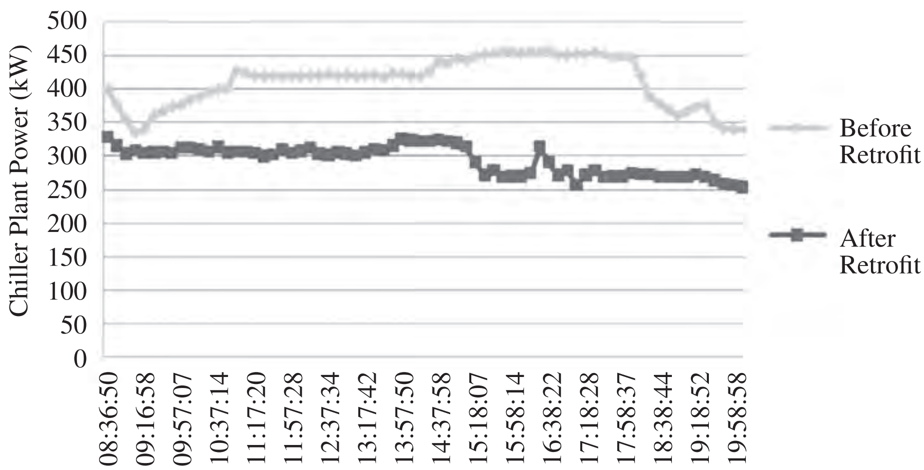

Figure 2 Cooling plant power consumption with and without UPPC

The data before retrofit were tested on June 15th, 2010 and the data after retrofit were tested on June 16th, 2010. The peak outdoor temperatures are close and the outdoor enthalpy profile are almost exactly same. During two days, the energy consumption of the chiller plant before retrofit is 4,805kWh per day while that after retrofit is 3,433kWh per day, therefore the energy consumption is reduced by 28.5%. However, this comparison is unfair because the uncertainty of the occupancy and usage. From ASHRAE standard 14 (Appendix D), a regression method is need to normalized the energy consumption with the boundary conditions.

5.4. Saving

In order to have a clear understanding on the energy saving from the application of UPPC, we investigated the energy efficiencies of the chiller plant before and after retrofit. We used kW/Ton an index of energy efficiencies. If we use the efficiency, the normalization of weather data and building occupancy is no longer necessary and modification of cooling degree days (CDD) on the energy consumption of the chiller plant is no more required. CDDs usually have great influences on building cooling load, higher CDDs may lead to higher cooling load and then higher energy consumption, as the efficiency index, kW/Ton, has equalized the total energy consumption with total cooling loads, the influence of CDDs and other occupancy intensity on this investigation can be eliminated.

The following figure lists energy efficiencies of the chiller plant of Corporate 1 Avenue according to outdoor dry bulb temperatures[2]. In general, the energy efficiency tends to rise when outdoor dry bulb temperature decreases, because the chillers are more efficient at low outdoor temperature. From this figure, the energy efficiencies are greatly improved after retrofitted with UPPC.

Energy Efficiency Comparison for The Chiller Plant Before and After Retrofit

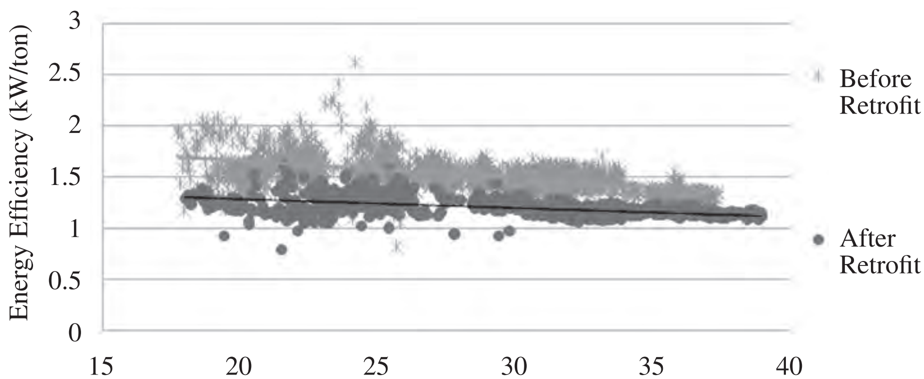

Figure 3 Chiller Plant kW/Ton with and without UPPC

The energy efficiency of the chiller plant gives an excellent indication of energy saving potential of UPPC control system. However, it is still not clear where the saving is from. We further decompose the energy consumption of different equipments in order to reveal changes of the chiller plant before and after retrofit.

The figure below summarizes chiller efficiency according to different dry bulb temperatures. From the distributions of efficiency points, chiller efficiency after retrofit is obvious higher than that before retrofit. The savings are from higher condenser water flow rates and proper operation combination of condenser water pumps and cooling towers. In addition, the original primary pumps are constant speed and runs at its full capacity all the time. This may reduce chilled water return temperature and thus make chillers less efficient.

Chiller Efficiency Comparison for The Chiller Plant Before and After Retrofit

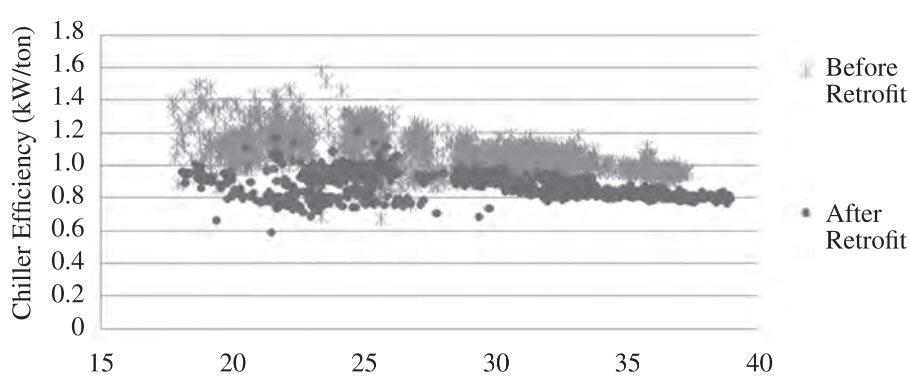

Figure 4 Chiller kW/Ton with and without UPPC

[2] A more accurate comparison should use wet-bulb temperature. However, the data is not available and we use dry-bulb temperature.

The figures depicting efficiency of primary and secondary chilled water pumps are similar to each other. The original primary pumps are controlled as constant pumps, so even the cooling load decreases, the primary pumps still has to operate to its full capacity and so waste pump energy during part load. After retrofitting, the primary pumps are equipped with VSD drivers and the UPPC will determine the optimal operation points. When outdoor dry bulb temperature decreases, the energy efficiency of primary pumps is more efficient than before. Same things happened to the secondary chilled water pumps. After the VSD drivers installed, UPPC runs the pumps more efficient than before.

Primary Pump Efficiency Comparison Before and After Retrofit

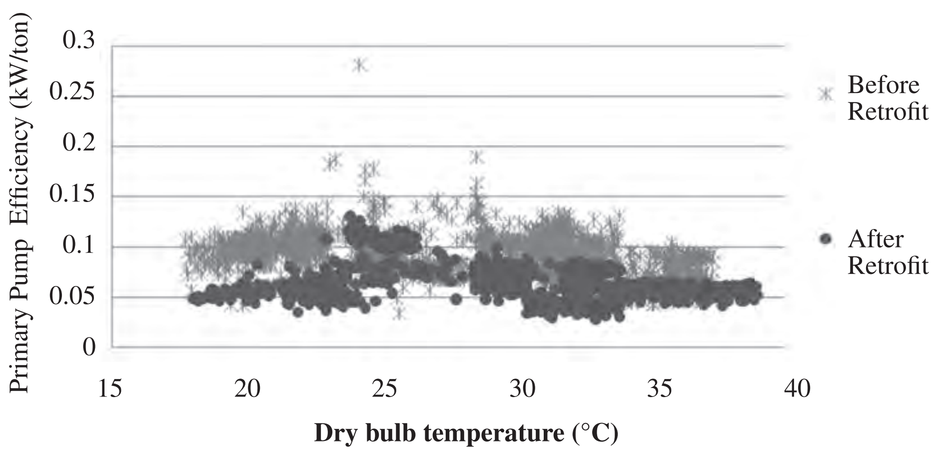

Figure 5 Primary pump kW/Ton with and without UPPC

Secondary Pump Efficiency Comparison Before and After Retrofit

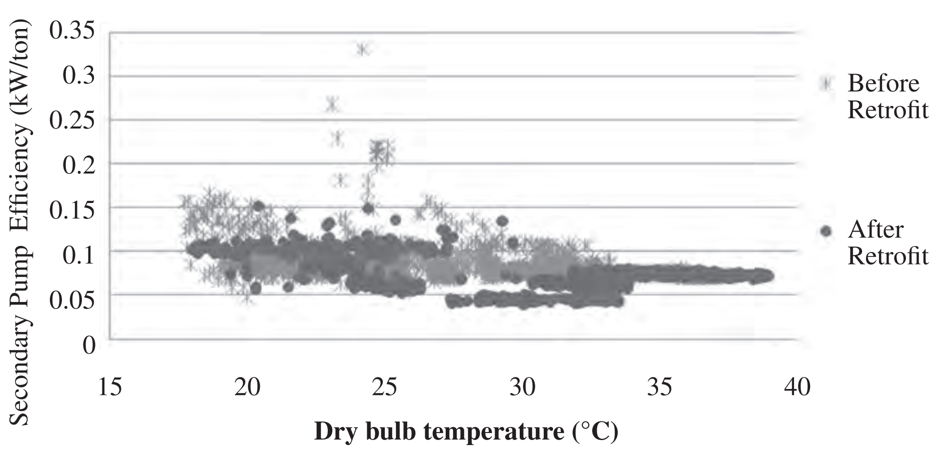

Figure 6 Secondary pumps kW/Ton with and without UPPC

In the cool water loop, while condenser pumps are almost maintained the same as before, but the efficiency of cooling towers are improved significantly. UPPC was monitoring the outdoor temperature and thus modulating condenser water flow rate. Under partial load conditions, it not only led to less cooling tower fan energy consumption but also a low refrigerant pressure in the chiller condensers.

Condensor Pump Efficiency Comparison Before and After Retrofit

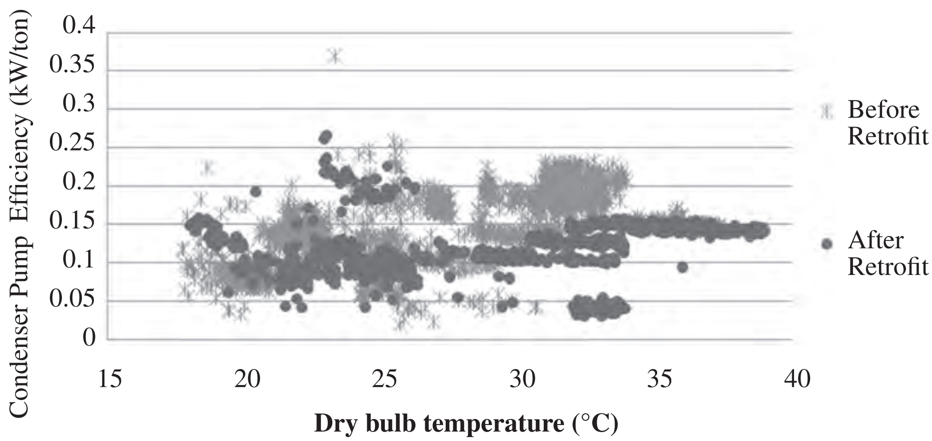

Figure 7 Condenser Pumps kW/Ton with and without UPPC

Cooling Tower Efficiency Comparison Before and After Retrofit

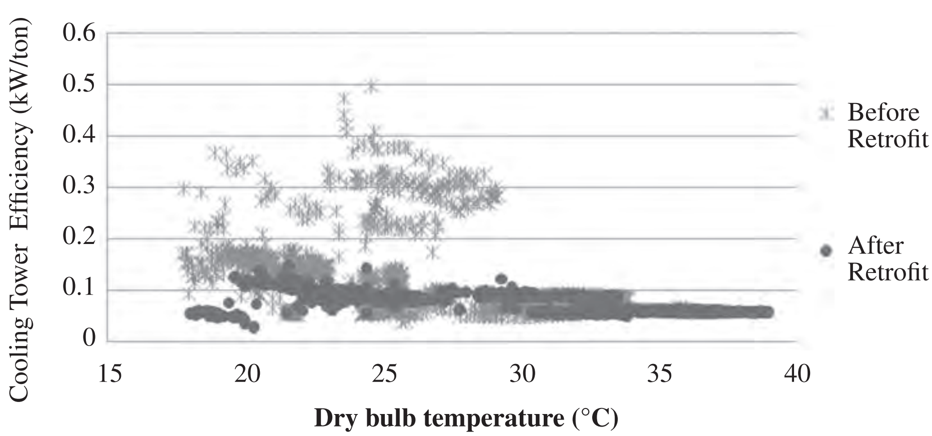

Figure 8 Cooling tower kW/Ton with and without UPPC

We summarize the energy performance from field test data as below:

Table 9 Energy Efficiency Improvement

	Energy Efficiency for temperature Range									Mean Energy Efficiency		
	15~20°C			20~25°C			25~30°C and above					
Equipments	**BR***	**AR***	**ES* (%)**	**BR**	**AR**	**ES (%)**	**BR**	**AR**	**ES (%)**	**BR**	**AR**	**ES (%)**
Chillers	1.21	0.92	24.1	1.15	0.89	22.9	1.04	0.87	16.7	1.13	0.89	21.4
Primary Pumps	0.09	0.05	41.7	0.10	0.07	29.2	0.09	0.06	30.1	0.09	0.06	33.5
Secondary Pumps	0.12	0.10	16.1	0.09	0.09	4.0	0.08	0.07	18.4	0.10	0.09	12.9
Condenser Pumps	0.1	0.13	-34.3	0.12	0.11	6.8	0.17	0.12	29.2	0.13	0.12	5.8
Cooling Towers	0.17	0.06	67.0	0.15	0.09	38.0	0.09	0.07	28.4	0.14	0.07	47.8
Total	1.69	1.26	25.4	1.62	1.25	22.5	1.47	1.18	19.8	1.6	1.23	22.6

Note: * BR, AR and ES refer to Before Retrofit, After Retrofit and Energy Saving.

From the above table, it seems that the energy performance of the chiller plant has been improved. In average, the energy efficiency is improved by 22.6%.

6. CONCLUSION

In the US and China, buildings consume roughly 40% of total energy in the countries. Cooling plants in large commercial and industrial buildings use a large amount of energy. From the literature review and field experiments over the last two decade, it seems that cooling plant supervisory optimal control can save 5–20% of energy. Several researchers and engineers have demonstrated that with different approaches and technologies in the US and China. Energy savings percentage from cooling plant is independent to the size of the buildings. Building Energy Use Index (EUI) of large buildings is same to that of small ones. If a technology works well in small cooling plants, it will work equally well in large cooling plants of similar type. Successful retrofits were conducted in cooling plant ranges from 350 tons to 12,338 tons.

Compared with technologies in early research phase, UPPC seems to have captured all major features of these research outcomes, including advanced modeling, supervisory optimization, global control, and real time calibration.

Compared with other existing commercial products, UPPC takes a whole solution approach rather than software only. It has both a software optimization platform and a proprietary hardware system to support the communication and the control. UPPC can optimize the control not only for compressors or chillers, but also for chilled and cool water pumps, and cooling towers.

It seems that UPPC works better than other products. UPPC is the only commercial product that is switchable in the field. While other systems have to be embedded with the existing control system and be an integrated section of the building control, building operators can switch UPPC on and off to compare the operations. How to quantify energy savings in China is always a problem and a source of dispute for retrofit projects. UPPC seems to have solved the problem from the technical aspects.

BBRT independently exams the field data from a building installed UPPC in Shanghai to check data integrity and calculate savings. Comparing the metered data in the cooling plant on two similar days with and without UPPC, we estimate the saving is 27%. Most savings are from chillers and auxiliary equipments. A detailed analysis using kWh/Ton versus outdoor temperature approach indicates the average savings of all testing days are 22.7%. We conclude that UPPC is feasible in commercial and industrial buildings in China and could potentially save a large amount energy and cost for building owners.

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APPENDIX A EQUIPMENT

Figure 2: Mainframe Computer

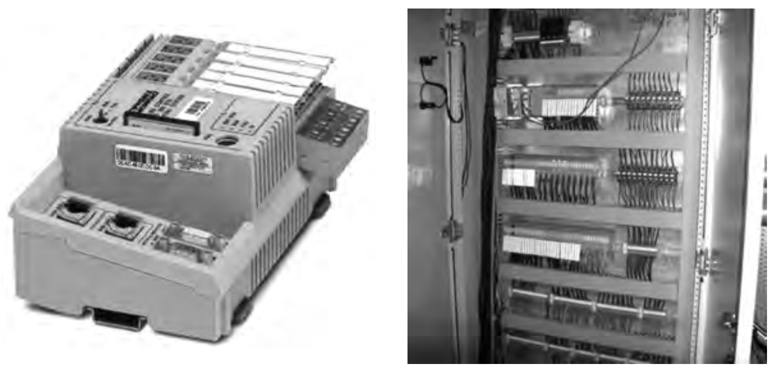

Figure 3: PLC, equipment-control substation, and communication interface

Figure 4: Transducers (sensors) and executive devices

Figure 5: VFD Panels

APPENDIX B UPPC OPTIMIZATION CONTROL PRINCIPLE SCHEMATIC DIAGRAM

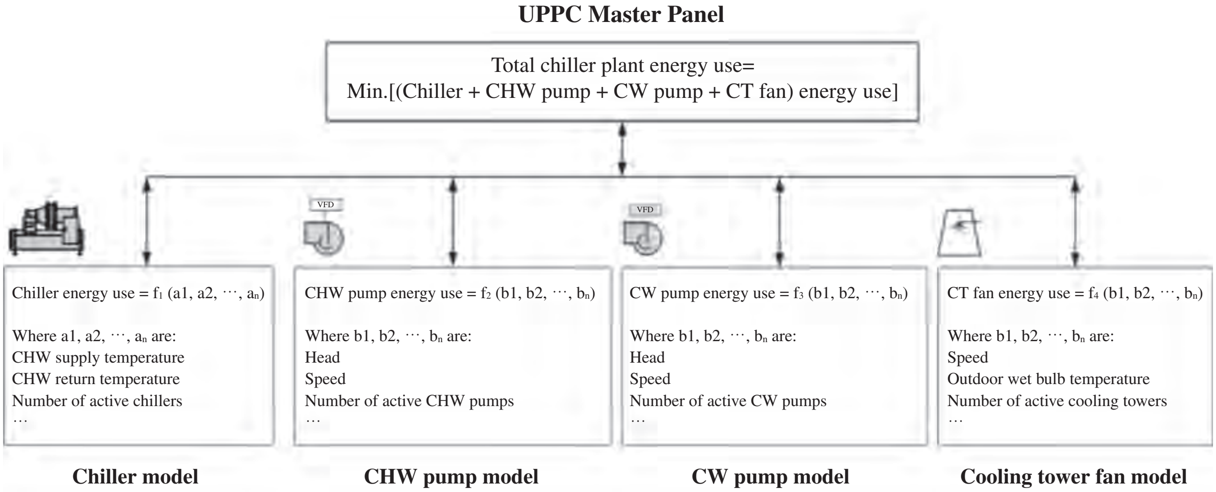

Figure 6: UPPC Optimization Control Schematic Diagram

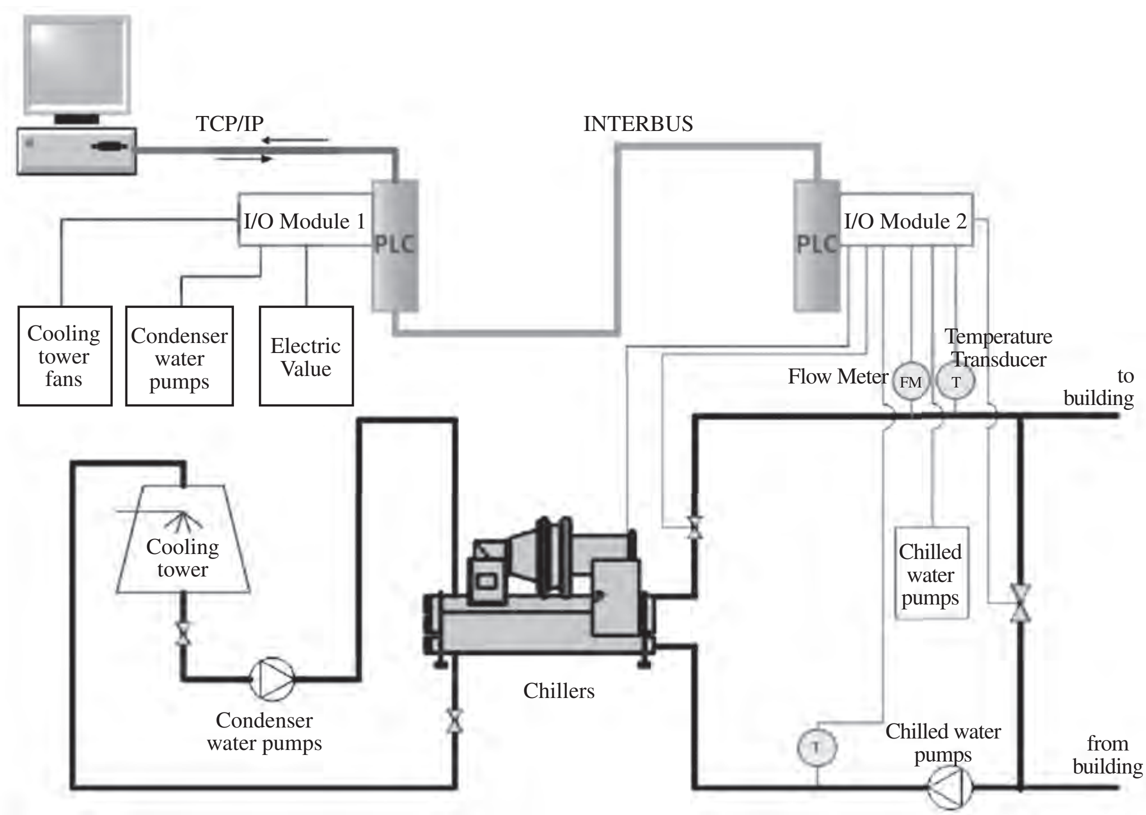

Figure 1: UPPC System Control Principle Schematic Diagram

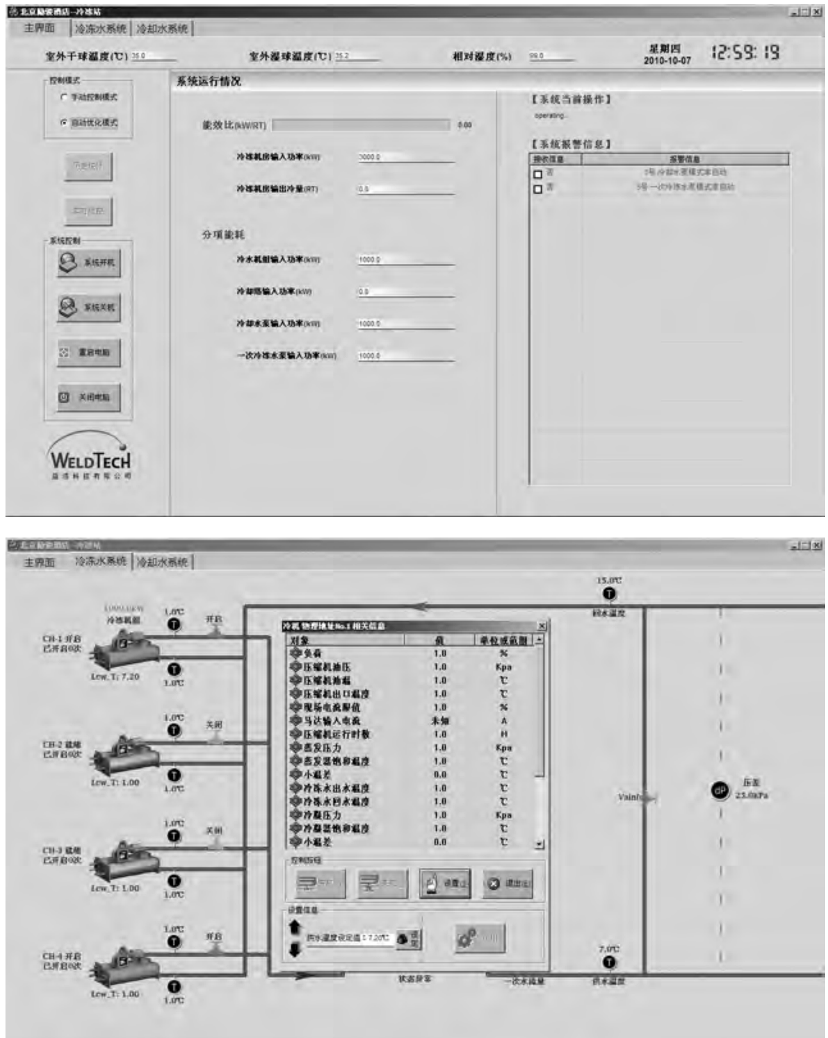

Figure 7: UPPC Optimization Control Interface

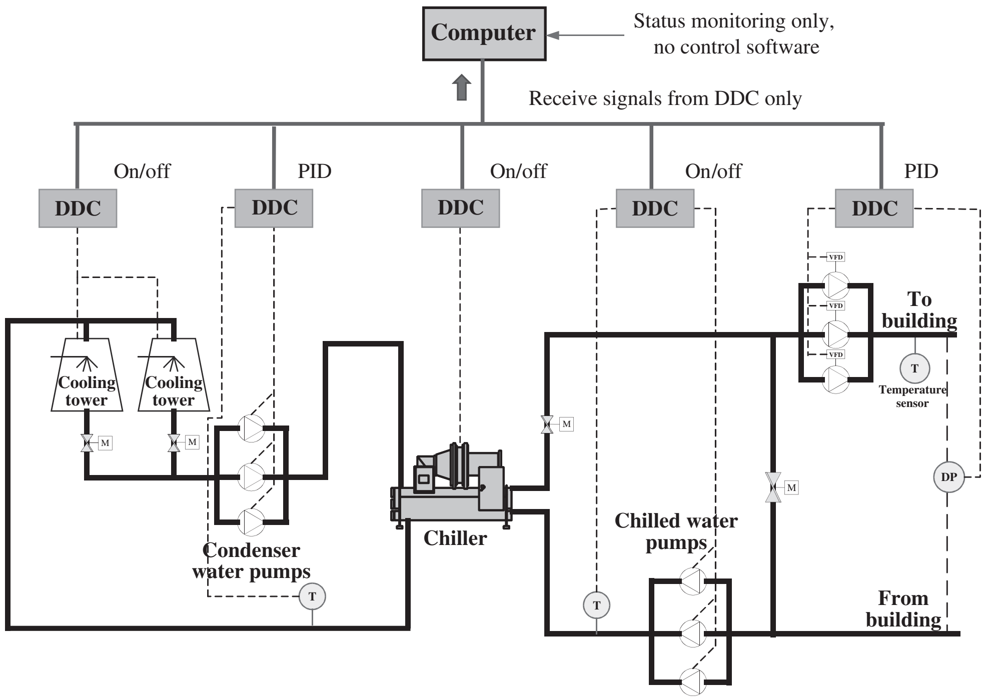

Figure 8: Typical Schematic Diagram of a Traditional Chiller Plant Control System

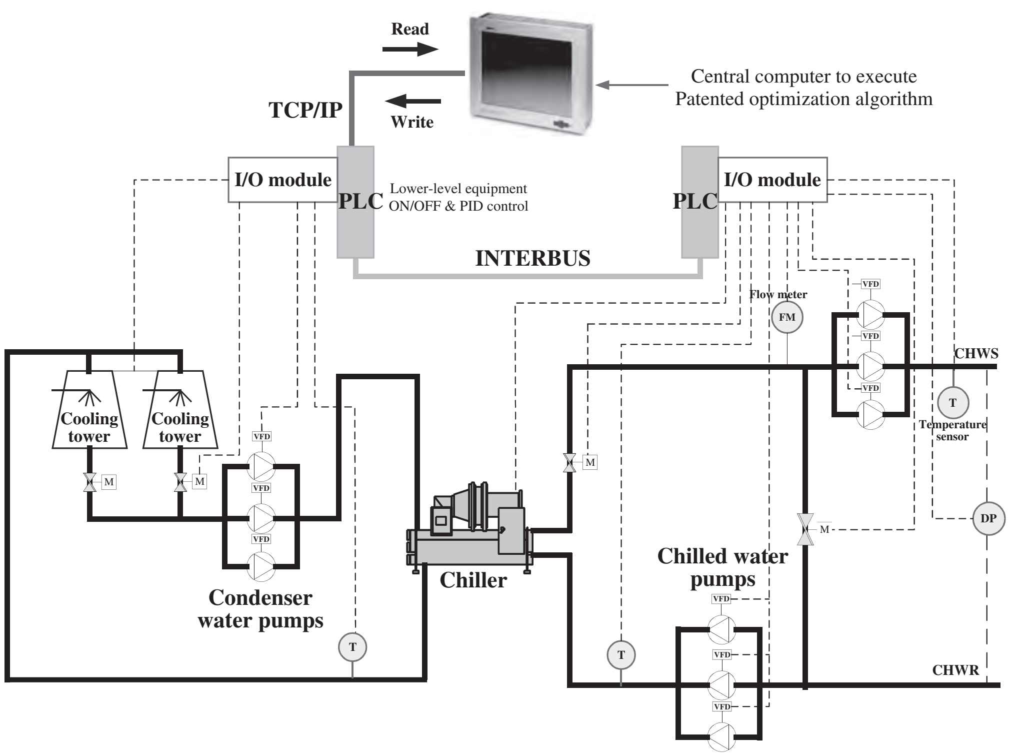

Figure 9: Typical Schematic Diagram of a UPPC Chiller Plant Control System

APPENDIX C CORPORATE 1 AVENUE PROJECT

Figure 10: Chiller Plant at Corporate 1 Avenue

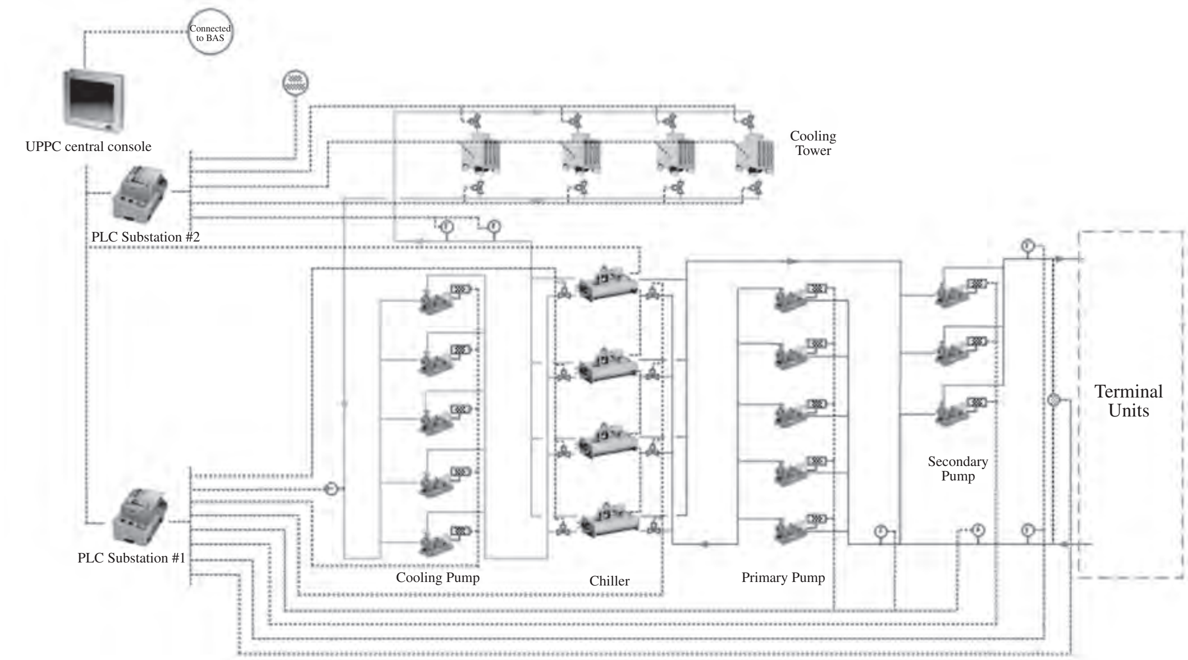

Figure 11: Corporate Avenue UPPC System Schematic Diagram

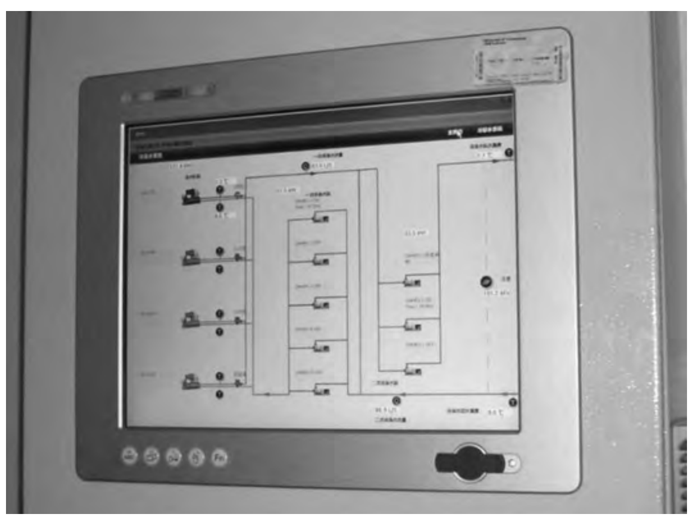

Figure 12: Central station and operating interface of the UPPC System at Corporate 1 Avenue

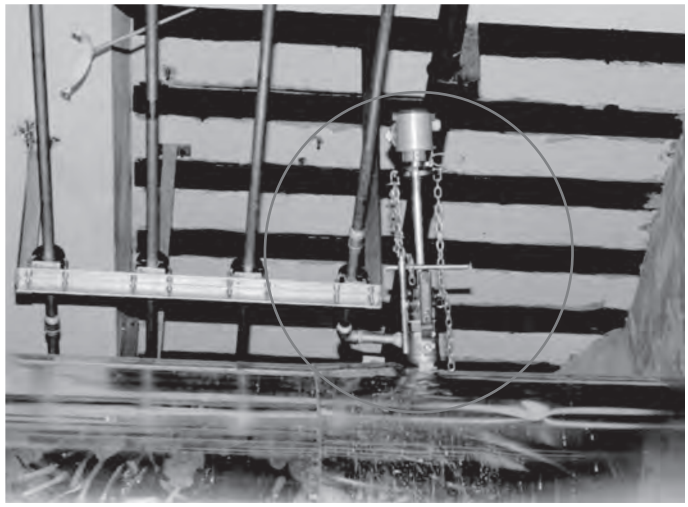

Figure 15: Electromagnetic flow meter installed on condenser water main return pipe

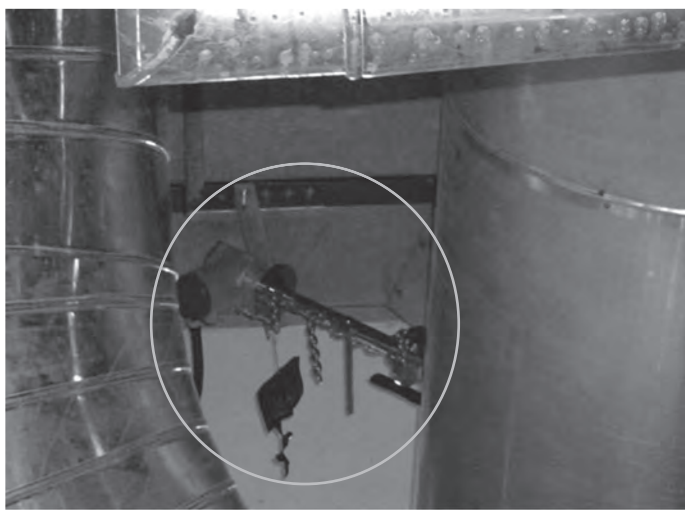

Figure 16: Electromagnetic flow meter installed on the primary chilled water main supply pipe

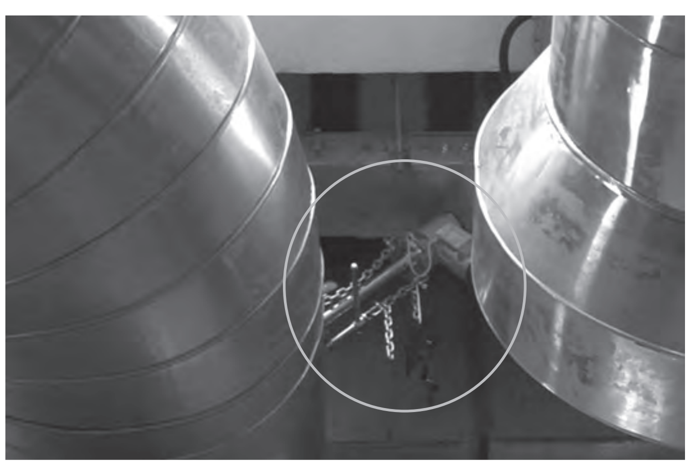

Figure 17: Electromagnetic flow meter installed on the secondary chilled water main return pipe

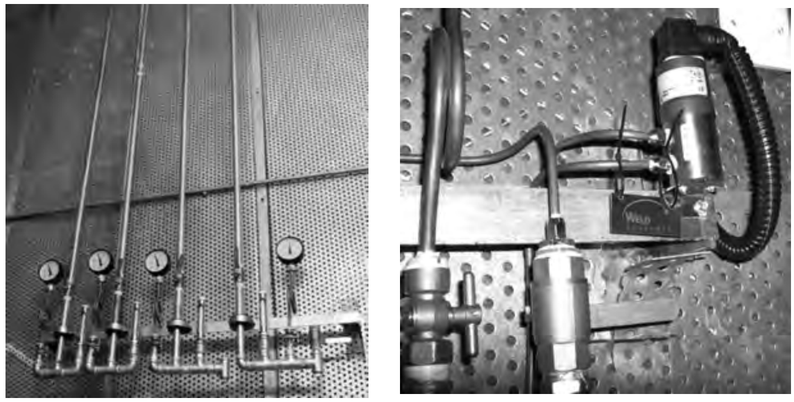

Figure 18: DP transducer (installed between the chilled water supply/return main pipes)

Figure 19: Outdoor temperature and humidity transducer (installed under the expansion tank on the building rooftop, in proximity to the cooling tower)

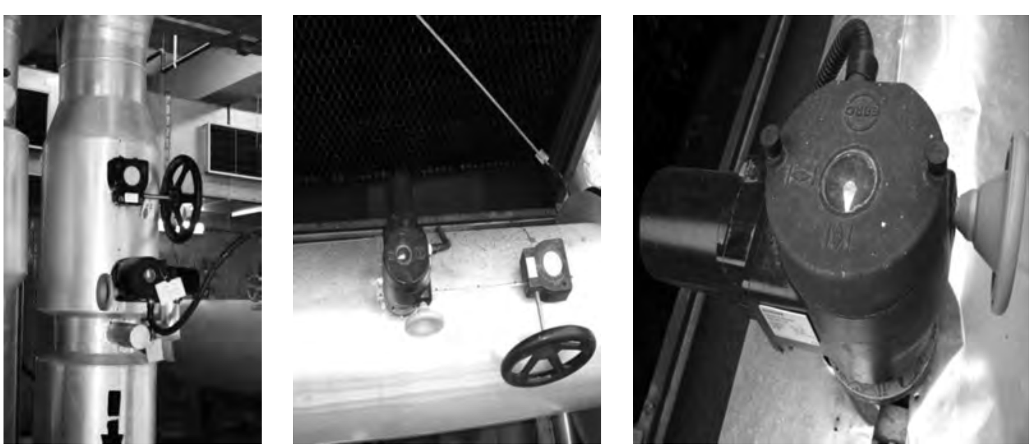

Figure 20: Motorized valve actuators

Figure 21: Yong Wei electric power transmitter

Figure 22: VSD panels for primary chilled water and condenser water pumps

Figure 23: VSD panels for primary chilled water pumps

APPENDIX D ASHRAE GUIDELINE 14

Guideline 14 was developed by American Society of Heating Refrigeration and Air-conditioning Engineers (ASHRAE) to fill a need for a standardized set of energy (and demand) savings calculation procedures. The intent is to provide guidance on minimum acceptable levels of performance for determining energy and demand savings, using measurements, in commercial transactions.

Based on ASHRAE 14 Table 6.1.1, Degree-days (DD), Temperature and other independent variables are used to demonstrate the uncertainty in the model and incorporate uncertainty calculations in the savings values.

TABLE 6.1-1
Sample Models for Whole Building Approach

Name	Clause	Independent Variable(s)	Form	Examples
No Adjustment/Constant Model	6.1.4.1	None	$E = E_b$	Non-weather-sensitive demand
Day Adjusted Model	6.1.4.2	None	$E = E_b \times \frac{day_b}{day_c}$	Non-weather-sensitive use (fuel in summer, electricity in summer)
Two-Parameter Model	6.1.4.3	Temperature	$E = C + B_1(T)$	
Three-Parameter Models	6.1.4.4	Degree-days/Temperature	$E = C + B_1(DD_{BT})$ $E = C + B_1(B_2 - T)^+$ $E = C + B_1(T - B_2)^+$	Seasonal weather-sensitive use (fuel in winter, electricity in summer for cooling) Seasonal weather-sensitive demand
Four-Parameter, Change Point Model	6.1.4.5	Temperature	$E = C + B_1(B_3 - T) - B_2(T - B_3)^+$ $E = C - B_1(B_3 - T)^+ + B_2(T - B_3)^+$	
Five-Parameter Models	6.1.4.6	Degree-days/Temperature	$E = C - B_1(DD_{TH}) + B_2(DD_{TC})$ $E = C + B_1(B_3 - T)^+ + B_2(T - B_4)^+$	Heating and cooling supplied by same meter
Multi-Variate Models	6.1.4.7	Degree-days/Temperature, other independent variables	Combination form	Energy use dependent, non-temperatrue-based variables (occupancy, production, etc.)

APPENDIX E QUALIFICATIONS AND EXPERIENCES

Peng Xu, Ph.D., P.E.

Education and Professional License

Ph.D. (2001) Civil and Environmental Engineering, University of Colorado, Boulder
M.S. (1995) Thermal Engineering, Tongji University, Shanghai, China
B.S. (1992) Civil Engineering, Tianjin University, China
Licensee Professional Engineer, US National Society of Professional Engineers, since 2000 (Mechanical/thermal fluid)

Research and Professional Experience

2009– present Principal Consultant, Berkeley Building Research and Technologies
2001 to 2009 Scientist, Lawrence Berkeley National Laboratory, Environmental Energy Technologies Division

Dr. Peng Xu has extensive experience in building mechanical system design and optimization research when he was at Lawrence Berkeley National Laboratory (LBNL). Dr. Xu has been working at LBNL since 2001, and has many years' experience in sustainable building analysis, building commissioning and retrofitting, innovative building controls and performance monitoring, fault detection and diagnosis, and energy simulation. He has led a multi-year demand response public research project founded by California Energy Commission (CEC) and US Department of Energy (DOE) to reduce building electricity peak demand with thermal mass and dynamic temperature control. He has led many other research projects from National Science Foundation, the World Bank, EPA, and Energy Foundation. He played an important role in several international collaborations, including the US-China high efficient demonstration building, and LEED certification on the Olympic Villages, and Zero-Energy Buildings in the Villages. He is the chairman of Smart Building System Technical Committee of ASHRAE. He services in technical and standards committees of ASHRAE (American Society of Heating, Refrigerating, and Air-Conditioning Engineers).

Anthony Radspieler, Jr.

Education and Professional License

MS (1996), University of Hawaii at Manoa, Honolulu, HI
BS (1987), Mechanical Engineering (Marine Systems), Franklin College, Lugano, Switzerland

Research and Professional Experience

2001–2009, Principal Research Associate, Environmental Energy Technologies Division, Lawrence Berkeley National Laboratory, Berkeley, CA
2000–2001, Project Manager, US Navy, Norfolk, VA
1999–2000, Project Engineer, Utilities Department, Cornell University, Ithaca, NY
1992–1994, Third Assistant Engineer, University of Hawaii Marine Center, Honolulu, HI

Anthony Radspieler has many years of experience of large cooling plants and mechanical systems. In Hawaii, he was responsible for the operation of oceanographic vessel's plant machinery during an 8-hr engine room watch, performed preventive maintenance and repair of shipboard systems and equipment, e.g., diesel engines, refrigeration units, water makers, air compressors. At Cornell University, he took part in the lake source cooling project in bringing the marine portion ($9.5 million) of this $60 million project to completion on time and on budget. He joined Lawrence Berkeley National Laboratory in 2001 and worked on program support to the U.S. Department of Energy (DOE) and California Energy Commission (CEC). He was responsible for energy efficient emerging technology commercialization within the industrial and commercial energy sectors. He led an effort of developing large cooling plant stations along the California coasts.

Berkeley Building Research and Technologies

Berkeley Building Research and Technologies (BBRT) is an independent and impartial research, testing, consulting and information company providing resources for the building industry. The mission of BBRT is to stimulate, facilitate and accelerate the research, development and commercialization of energy efficient building technologies. This is accomplished through facilitating both technology development and demonstrations, as well as offering outreach and education activities in partnership with utilities, manufacturers, end users, builders, designers, researchers, academicians and governmental agencies.

The company was founded by Mr. Anthony Radspieler Jr. and Dr. Peng Xu. Both of them are researchers in building technology department at the Lawrence Berkeley National Laboratory (LBNL) and experts in building mechanical systems. Dr. Xu is the chair of smart building committee under American Society of Heating Refrigeration and Air Conditioning Engineers. Mr. Radspieler is a well established expert in large cooling plant design operation with natural water source.

Over the years, BBRT has grown to become an established engineering firm in California specializing in large central plants optimization, building electricity demand responsive control, fault detection and diagnostics, green building field auditing and performance verification, and system commissioning.

Like the many research centers, BBRT partners with a number of industry experts, and utility groups to conduct both researches in California and other states, in order to help the adoptions of emerging and available energy-saving products and systems. The BBRT also networks with design and engineering firms to assist with technology transfer over a wider geographical area, sharing exhibits, presentations, and descriptive materials related to efficient building energy systems.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Authorised and issued share capital of the Company as at the Latest Practicable Date

	HK$
Authorised: 5,000,000,000 Shares	500,000,000.00
Issued: 4,070,075,007 Shares	407,007,500.70

Authorised and issued share capital of the Company upon Completion

Authorised share capital:

	HK$
30,000,000,000 Shares	3,000,000,000.00

Issued share capital:

		HK$
4,070,075,007	Shares immediately prior to Completion	407,007,500.70
3,750,000,000	Consideration Shares to be allotted and issued upon Completion	375,000,000.00
10,312,500,000	Conversion Shares (to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes)	1,031,250,000.00
Total: 18,132,575,007	Shares	1,813,257,500.70

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

4. PERSONS HAVING 5% OR MORE INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Enlarged Group or had any option in respect of such capital:

Name of shareholder	**Capacity**	**Name of company**	**Number of share(s)**	**Approximate percentage of the issued share capital**
CGI (HK) Limited *(Note 1)*	Beneficial owner	The Company	554,000,000 Shares (L)	13.61%
CGI (Offshore) Limited *(Note 1)*	Interest of controlled corporation	The Company	554,000,000 Shares (L)	13.61%
Chinese Global Investors Group Limited (formerly known as Auswin Holdings Limited) *(Note 1)*	Interest of controlled corporation	The Company	554,000,000 Shares (L)	13.61%
Best Leader Asia Investment Limited *(Note 2)*	Interest of controlled corporation	The Company	316,825,000 Shares (L)	7.78%
Express Advantage Limited *(Note 2)*	Beneficial owner	The Company	316,825,000 Shares (L)	7.78%
Liang Gui Lian *(Note 2)*	Interest of controlled corporation	The Company	316,825,000 Shares (L)	7.78%
Ni Rong Kun	Beneficial owner	The Company	316,825,000 Shares (L)	7.78%
Carbon Reserve	Beneficial owner	Weldtech Technology	150 Sale Shares (L)	15%
Newmargin	Beneficial owner	Weldtech Technology	100 Sale Shares (L)	10%

Name of shareholder	Capacity	Name of company	Number of share(s)	Approximate percentage of the issued share capital
Smart Promise	Beneficial owner	Weldtech Technology	230 Sale Shares (L)	23%
SV Technology	Beneficial owner	Weldtech Technology	420 Sale Shares (L)	42%
Weldtech Technology	Beneficial Owner	WFOE	US$820,100 paid up registered capital	100%
Newmargin *(Note 3)*	Beneficial owner	The Company	1,406,250,000 (L)	34.55%
Zhuang Yan *(Note 3)*	Interest of controlled corporation	The Company	1,406,250,000 (L)	34.55%
Cross Cone *(Note 4)*	Beneficial Owner	The Company	703,125,000 (L)	17.28%
Xu Yedong *(Note 4)*	Interest of controlled corporation	The Company	703,125,000 (L)	17.28%
SV Technology *(Note 5)*	Beneficial Owner	The Company	5,906,250,000 (L)	145.11%
JCW Technology Company Limited *(Note 5)*	Interest of controlled corporation	The Company	5,906,250,000 (L)	145.11%
Wu Gang *(Note 5)*	Interest of controlled corporation	The Company	5,906,250,000 (L)	145.11%
Wong Ho Yuen *(Note 5)*	Interest of controlled corporation	The Company	5,906,250,000 (L)	145.11%
Chong Yan Ling *(Note 5)*	Interest of controlled corporation	The Company	5,906,250,000 (L)	145.11%
Smart Promise *(Note 6)*	Beneficial Owner	The Company	3,234,375,000 (L)	79.47%
Cheng Lut Tim *(Note 6)*	Interest of controlled corporation	The Company	3,234,375,000 (L)	79.47%
Carbon Reserve *(Note 7)*	Beneficial owner	The Company	2,109,375,000 (L)	51.83%
China Energy Conservation and Environmental Protection Group *(Note 7)*	Interest of controlled corporation	The Company	2,109,375,000 (L)	51.83%
Season Best *(Note 8)*	Nominee for another person	The Company	703,125,000 (L)	17.28%
CCB International Asset Management Limited *(Note 8)*	Interest of controlled corporation	The Company	703,125,000 (L)	17.28%

Name of shareholder	Capacity	Name of company	Number of share(s)	Approximate percentage of the issued share capital
CCB International Assets Management (Cayman) Limited *(Note 8)*	Interest of controlled corporation	The Company	703,125,000 (L)	17.28%
CCB International (Holdings) Limited *(Note 8)*	Interest of controlled corporation	The Company	703,125,000 (L)	17.28%
CCB Financial Holdings Limited *(Note 8)*	Interest of controlled corporation	The Company	703,125,000 (L)	17.28%
CCB International Group Holdings Limited *(Note 8)*	Interest of controlled corporation	The Company	703,125,000 (L)	17.28%
China Construction Bank Corporation *(Note 8)*	Interest of controlled corporation	The Company	703,125,000 (L)	17.28%
Central Huijin Investment Limited *(Note 8)*	Interest of controlled corporation	The Company	703,125,000 (L)	17.28%

L denotes long position in Shares and/or underlying Shares
S denotes short position

Notes:

1. CGI (HK) Limited is wholly owned by CGI (Offshore) Limited which in turn is wholly owned by Chinese Global Investors Group Limited (formerly known as Auswin Holdings Limited). Accordingly, CGI (Offshore) Limited and Chinese Global Investors Group Limited were taken to be interested in the Shares in which CGI (HK) Limited was interested.

2. These Shares comprise (i) 273,125,000 Shares and (ii) unlisted physically settled derivatives that may be converted into a maximum of 43,700,000 Shares. Express Advantage Limited is owned as to 80% by Best Leader Asia Investment Limited, which is wholly owned by Liang Gui Lian. Accordingly, Best Leader Asia Investment Limited and Liang Gui Lian were taken to be interested in the Shares in which Express Advantage Limited was interested.

3. These Shares comprise (i) 375,000,000 Consideration Shares to be allotted and issued to Newmargin and (ii) the 1,031,250,000 Conversion Shares to be allotted and issued to Newmargin upon the exercise of the conversion rights attaching to the Convertible Notes to be issued to Newmargin. As at the Latest Practicable Date, Newmargin was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed.

   Newmargin is wholly owned by Zhuang Yan. Accordingly, Zhuang Yan is taken to be interested in the Shares in which Newmargin was deemed to be interested.

4. These Shares comprise (i) 187,500,000 Consideration Shares to be allotted and issued to Cross Cone and (ii) the 515,625,000 Conversion Shares to be allotted and issued to Cross Cone upon the exercise of the conversion rights attaching to the Convertible Notes to be issued to Cross Cone. As at the Latest Practicable Date, Cross Cone was not a Shareholder as the transactions under the Sale and Purchase Agreement had not completed.

   Cross Cone is wholly owned by Xu Yedong. Accordingly, Xu Ye Dong is taken to be interested in the Shares in which Cross Cone was deemed to be interested.

5. These Shares comprise (i) 1,575,000,000 Consideration Shares to be allotted and issued to SV Technology and (ii) the 4,331,250,000 Conversion Shares to be allotted and issued to SV Technology upon the exercise of the conversion rights attaching to the Convertible Notes to be issued to SV Technology. As at the Latest Practicable Date, SV Technology was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed.

   SV Technology is owned as to 52.5% by JCW Technology Company Limited, 30.5 % by Wu Gang, 12% by Wong Wai Yin Willis and 5% by Liu Li Yang. Accordingly, each of JCW Technology Company Limited and Wu Gang is taken to be interested in the Shares in which SV Technology was deemed to be interested.

   JCW Technology Company Limited is owned as to 60% Wong Ho Yuen and 40% by Chong Yan Ling. Accordingly, each of Wong Ho Yuen and Chong Yan Ling is taken to be interested in the Shares in which JCW Technology Company Limited was deemed to be interested.

6. These Shares comprise: (i) 862,500,000 Consideration Shares to be allotted and issued to Smart Promise; and (ii) 2,371,875,000 Conversion Shares to be allotted and issued to Smart Promise upon the exercise of the conversion rights attaching to the Convertible Notes to be issued to Smart Promise. Smart Promise is owned as to 60.88% by Cheng Lut Tim, 13.04% by Liu Zhi Qiang, 13.04% by Li Ying Li and 13.04% by Zhao Xiaohua. Accordingly, Cheng Lut Tim is taken to be interested in the Shares in which Smart Promise was deemed to be interested. As at the Latest Practicable Date, Smart Promise was not a Shareholder as the transactions under the Sale and Purchase Agreement had not completed.

7. These Shares comprise (i) 562,500,000 Consideration Shares to be allotted and issued to Carbon Reserve; and (ii) 1,546,875,000 Conversion Shares to be allotted and issued to Carbon Reserve upon the exercise of the conversion rights attaching to the Convertible Notes to be issued to Carbon Reserve. Carbon Reserve is wholly owned by China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited, which is in turn wholly owned by China Energy Conservation and Environmental Protection Group. Accordingly, each of China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited and China Energy Conservation and Environmental Protection Group is taken to be interested in the Shares in which Carbon Reserve was interested. As at the Latest Practicable Date, Carbon Reserve was not a Shareholder as the transactions under the Sale Purchase Agreement had not been completed.

8. These Shares comprise: (i) 187,500,000 Consideration Shares to be allotted and issued to Season Best; and (ii) 515,625,000 Conversion Shares to be allotted and issued to Season Best upon the exercise of the conversion rights attaching to the Convertible Notes to be issued to Season Best. Season Best is wholly owned by CCB International Asset Management Limited, which is in turn wholly owned by CCB International Assets Management (Cayman) Limited, which is in turn wholly owned by CCB International (Holdings) Limited, which is in turn wholly owned by CCB Financial Holdings Limited, which is in turn wholly owned by CCB International Group Holdings Limited, which is in turn wholly owned by China Construction Bank Corporation, which is in turn owned as to approximately 57.09% by Central Huijin Investment Limited. Accordingly, each of CCB International Asset Management Limited, CCB International Assets Management (Cayman) Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited is taken to be interested in the Shares in which Season Best was deemed to be interested. As at the Latest Practicable Date, Season Best was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group which does not expire or is not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

7. INTERESTS IN ASSETS AND CONTRACTS OF THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or experts named in the section headed "10. Experts and consents" in this appendix had any direct or indirect interest in the assets which had been, since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Company had been made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There was no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Enlarged Group.

8. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) that had been entered into by the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) the memorandum of understanding dated 9 November 2009 entered into between The Building and Loan Agency (Asia) Limited and Primeway Group Limited in relation to the proposed investment in New Smart Financial Group Limited pursuant to which a refundable deposit of HK$58,000,000 was paid;

(b) the supplemental memorandum of understanding dated 18 December 2009 entered into between The Building and Loan Agency (Asia) Limited and Primeway Group Limited in relation to the memorandum of understanding set out in sub-paragraph (a) above;

(c) the conditional underwriting agreement dated 23 March 2010 entered into between the Company and Fortune (HK) Securities Limited (as the underwriter) at the commission rate of 2.5% of the aggregate subscription price in respect of the offer shares underwritten by the underwriter in relation to the open offer of a maximum of 562,500,000 Shares at the subscription price of HK$0.10 per offer share of the Company. As announced by the Company on 3 May 2010, the open offer became unconditional in the same date. The open offer was under subscribed with 375,039,954 shares applied for and the balance of 187,460,046 offer shares fully underwritten by the underwriter. Net proceeds from the open offer was approximately HK$54 million;

(d) the conditional placing agreement dated 10 May 2010 entered into between the Company and Fortune (HK) Securities Limited (as the placing agent) in relation to the private placing, on a best-effort basis, of up to 562,000,000 non-listed warrants to be issued by the Company at an issue price of HK$0.01 per unit of warrant, which each warrant entitles the holder thereof to subscribe for one new share of the Company at an initial exercise price of HK$0.18 per new share of the Company;

(e) the conditional supplemental placing agreement dated 7 June 2010 between the Company and Fortune (HK) Securities Limited (as the placing agent) in relation to the the private placing, on a fully-underwritten basis, of 562,000,000 non-listed warrants to be issued by the Company at an issue price of HK$0.01 per unit of warrant, which each warrant entitles the holder thereof to subscribe for one new share of the Company at an initial exercise price of HK$0.147 per new share of the Company. Completion of the warrant placing took place on 22 June 2010. The warrant placing had been fully subscribed and an aggregate of 562,000,000 warrants had been successfully placed to not less than six placees at the warrant issue price of HK$0.01 per warrant. Net proceeds from the warrant placing was approximately HK$5.3 million;

(f) the conditional placing agreement dated 12 August 2010 between the Company and Kingston Securities Limited (as the placing agent) at the commission of 2.5% on the gross proceeds of the actual number of new shares placed in relation to the placing, on a best effort basis, of a maximum of 1,135,000,000 new shares of the Company at the placing price of HK$0.11 per new share. Completion of the placing took place on 28 December 2010, pursuant to which the Company allotted and issued 1,135,000,000 Shares, representing approximately 28.41% of the Company's then issued share capital of 3,994,637,958 Shares as enlarged by the placing, have been successfully placed by the placing agent to no fewer than six independent placees at the placing price of HK$0.11 per placing share. The total gross proceeds of the placing amounted to approximately HK$124.85 million. The net proceeds from the placing, after the deduction of the placing commission and other related expenses, amounted to approximately HK$121.45 million;

(g) the letter of extension dated 24 December 2010 in relation to the placing agreement set out in sub-paragraph (f) above;

(h) the share subscription and shareholders agreement dated 8 November 2010 entered into amongst Weldtech Technology, Carbon Reserve, Newmargin, Season Best, Cross Cone, Smart Promise and SV Technology in relation to the subscription of an aggregate of 350 new shares of HK$1.00 each by Carbon Reserve, Newmargin, Season Best, Cross Cone, Smart Promise and SV Technology at a subscription price of HK$20,000 per share;

(i) the framework agreement dated 30 November 2010 entered into by the Purchaser in relation to the possible acquisition of equity interest in Weldtech Technology;

(j) the Initial Referral Agreement;

(k) the First Supplemental;

(l) the Second Supplemental;

(m) the Initial Sale and Purchase Agreement;

(n) the Supplemental Agreement; and

(o) the Second Supplemental Agreement.

9. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
Piper Jaffray Asia Limited	a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Grant Sherman Appraisal Limited	Independent professional valuer
King & Wood	PRC legal advisors
Berkeley Building Research and Technologies, Inc.	Independent and impartial research testing, consulting and information company

Each of Piper Jaffray Asia Limited, HLB Hodgson Impey Cheng, Grant Sherman Appraisal Limited, King & Wood and Berkeley Building Research and Technologies, Inc. has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Piper Jaffray Asia Limited, HLB Hodgson Impey Cheng, Grant Sherman Appraisal Limited, King & Wood and Berkeley Building Research and Technologies, Inc. did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

a. The company secretary of the Company is Mr. So Yuen Chun. Mr. So is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

b. As at the Latest Practicable Date, the executive Directors were Mr. Au Tin Fung, Mr. So Yuen Chun and Mr. Soong Kok Meng, brief biography of whom is set out below:

Mr. Au Tin Fung, aged 52, was appointed as an independent non-executive Director of the Company on 2 October 2009 and re-designated as an executive Director of the Company on 23 October 2009. Mr. Au graduated from the business management department of the Hong Kong Baptist University and holds a Master Degree in Business Administration from the Upper Iowa University, the United States of America. He has worked for Wong's Kong King International (Holdings) Limited as the corporate assistant general manager and the director general of Shenzhen Dengcheng Realties Development Company Limited.

Mr. Au was an independent non-executive director of China Public Procurement Limited during the period from August 2007 to September 2009, a company listed on the Main Board of the Stock Exchange.

Mr. So Yuen Chun, aged 39, was appointed as an independent non-executive Director of the Company on 15 January 2010 and re-designated as an executive Director of the Company on 1 December 2010. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. So possesses more than 16 years of experience in the fields of auditing, accounting and finance. He is an executive Director of Chinese Global Investors Group Limited (formerly known as Auswin Holdings Limited) (stock code: 5CJ.SI), a substantial shareholder of the Company and listed on the Catalist board of the Singapore Exchange Securities Trading Limited.

Mr. Soong Kok Meng, aged 48, was appointed as an executive Director of the Company on 1 December 2010. Mr. Soong possesses over 20 years of experience in sales and marketing. He graduated from Singapore Polytechnic with an advanced diploma in plastic technology and holds a Master degree of Science from University of Manchester Institute of Science and Technology. He is an executive Director of Chinese Global Investors Group Limited (formerly known as Auswin Holdings Limited) (stock code: 5CJ.SI), a substantial shareholder of the Company and listed on the Catalist board of the Singapore Exchange Securities Trading Limited. Mr. Soong was an independent non-executive director of PME Group Limited during the period from 11 July 2007 to 14 January 2011, a company listed on the Main Board of the Stock Exchange.

c. As at the Latest Practicable Date, the audit committee of the Company comprised of three independent non-executive Directors; namely, Mr. Ng Cheuk Fan, Keith, Mr. Lam Kwok Hing, Wilfred, and Mr. Yeung Wai Hung, Peter. Brief biography of the independent non-executive Directors is set out below:

Mr. Ng Cheuk Fan, Keith, aged 49, was appointed as an independent non-executive Director of the Company on 15 January 2010. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Ng graduated from the University of Alberta, Canada, with a Bachelor's degree in Commerce, majoring in Accounting. He also obtained a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng possesses over 20 years of corporate development, corporate re-structuring, accounting and management experience. He is currently an executive director of Hao Tian Resources Group Limited, U-Right International Holdings Limited and the managing director of China Fortune Group Limited, all of which are companies listed on the Main Board of the Stock Exchange. Mr. Ng was the executive director, financial controller, qualified accountant and company secretary of LeRoi Holdings Limited during the period from May 2004 to June 2008, a company listed on the Main Board of the Stock Exchange.

Mr. Lam Kwok Hing, Wilfred, aged 51, was appointed as an independent non-executive Director of the Company on 1 December 2010. Mr. Lam holds a bachelor degree of Law with honours from the University of Hong Kong and is a practising solicitor in Hong Kong. He also holds a professional qualification of Estate Agent's (Individual) Licence in Hong Kong. He is a senior associate of Philip KH Wong, Kennedy YH Wong & Co., Solicitors & Notaries. He is the group vice president of 3D-GOLD Jewellery and director of Business Operations (China) & Aide-de-Camp, Brand Promotion of Hong Kong Resources Holdings Company Limited, a company listed on the Main Board of the Stock Exchange; the non-executive vice-chairman and non-executive director of National Arts Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange; and an independent non-executive director of Value Convergence Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Yeung Wai Hung, Peter, aged 53, was appointed as an independent non-executive Director of the Company on 1 February 2011. Mr. Yeung holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of High Court of Hong Kong. Mr. Yeung has been a practicing solicitor for over 20 years and a partner of Messrs. Hau, Lau, Li & Yeung, Solicitors & Notaries since 1992. He possesses extensive experience in the areas of mergers and acquisition and commercial contracts. He is currently an independent non-executive director of ROJAM Entertainment Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

The audit committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the quarterly, interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system and internal control procedures.

d. The Hong Kong share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

e. The English texts of this circular, the notice of the EGM and the accompanying form of proxy prevail over their respective Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company, Room 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this circular:

- the memorandum and articles of association of the Company;
- the annual reports of the Group for the three years ended 31 December 2008, 2009 and 2010;
- the accountants' report on the Weldtech Group, the text of which is set out in Appendix II of this circular;
- the report in relation to unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV of this circular;
- the valuation report on the property interest of the Enlarged Group, the text of which is set out in Appendix V of this circular;
- the Business Valuation Report, the text of which is set out in Appendix VI of this circular;
- the report on profit forecast issued by Piper Jaffray Asia Limited, the text of which is set out in Appendix VII of this circular;
- the report on profit forecast issued by HLB Hodgson Impey Cheng, the text of which is set out in Appendix VII of this circular;
- Technical Report, the text of which is set out in Appendix VIII of this circular;
- the material contracts referred to in the section headed "8. Material Contracts" of this Appendix;
- the written consents referred to in the section headed "10. Experts and Consents" of this Appendix; and
- this circular.

The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 145)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of The Hong Kong Building and Loan Agency Limited (the "**Company**") will be held at Falcon Room 1, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 24 June 2011, at 11:00 a.m. or any adjournment thereof (as the case may be) for the purpose of considering and, if thought fit, passing, with or without amendment or modification, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the sale and purchase agreement dated 23 February 2011 entered into among (i) Wise Planner Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**") and (ii) Carbon Reserve Investments Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Season Best Investments Limited, Smart Promise Limited and SV Technology Company Limited ("**SV Technology**") (together, the "**Vendors**"), the Company (as Purchaser's guarantor) and Mr. Wong Ho Yuen and Mr. Wu Gang (as SV Technology's guarantors) as supplemented and amended by a supplemental agreement and a second supplemental agreement entered into among the same parties dated 21 April 2011 and 30 May 2011, respectively (together, the "**Sale and Purchase Agreement**", copies of which are tabled at this meeting and marked "A", "B" and "C" and initialled by the chairman of this meeting for the purpose of identification), pursuant to which the parties to the Sale and Purchase Agreement agreed that, subject to the satisfaction of the conditions precedent therein, the Vendors will sell and the Purchaser will acquire the entire issued share capital of Weldtech Technology Co. Limited at the aggregate consideration of HK$2,800,000,000, and all transactions contemplated thereunder (the "**Acquisition**") and the referral agreement entered into between the Purchaser and Merit Leader Asia Limited (the "**Referral Agent**") on 17 December 2010 (the "**Referral Agreement**") in relation to the appointment of the Referral Agent to identify acquisition target in the People's Republic of China for potential acquisition in consideration for a fee equivalent to 5% of the total consideration of the Acquisition as supplemented and amended by the first supplemental dated 19 April 2011 and the second supplemental dated 28 April 2011 entered into between the Purchaser and the Referral Agent (copies of which have been produced to this meeting and marked "D", "E" and "F" and initialed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereby be and are hereby approved, ratified and confirmed;

(b) the creation and issue by the Company of the Convertible Notes to the Vendors upon completion of the Acquisition in accordance with Sale and Purchase Agreement in an aggregate principal amount of HK$1,650,000,000 be and are hereby generally and unconditionally approved in all respects;

(c) the allotment and issue of new shares of the Company upon the exercise of conversion rights attaching to the Convertible Notes be and are hereby approved;

(d) the allotment and issue by the Company of the Consideration Shares at the issue price of HK$0.16 per Consideration Share to the Vendors upon completion of the Acquisition in accordance with Sale and Purchase Agreement be and are hereby generally and unconditionally approved in all respects; and

(e) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Sale and Purchase Agreement and the Referral Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Sale and Purchase Agreement and the Referral Agreement and the transactions documents contemplated thereunder as he/she may in his/her absolute discretion consider necessary or desirable.

for the purpose of this resolution:

"**Convertible Notes**" means 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 new share of the Company (subject to adjustment)), to be issued by the Company as part of the consideration under the Sale and Purchase Agreement; and

"**Consideration Shares**" means the an aggregate of 3,750,000,000 new shares of HK$0.10 each in the capital of the Company to be allotted and issued by the Company to the Vendors at the issue price (being HK$0.16) pursuant to the Sale and Purchase Agreement."

2. "**THAT**:

(a) the authorised share capital of the Company be and is hereby increased 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; and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the increase in the authorised share capital of the Company set out in this resolution as he/she may in his/her absolute discretion consider necessary or desirable."

Yours faithfully,
By order of the Board
The Hong Kong Building and Loan Agency Limited
Au Tin Fung
Executive Director

Hong Kong, 31 May 2011

Registered Office:
Room 3501, 35th Floor
China Online Centre
No. 333 Lockhart Road
Wanchai, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him. A proxy needs not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed.

3. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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

5. The voting on the resolutions at the EGM shall be conducted by way of poll.