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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the "**Board**" or "**Directors**") of The Hong Kong Building and Loan Agency Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2012 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**20,228**	18,370
Interest income		**20,228**	18,370
Fair value changes on financial assets at fair value through profit or loss		**(3,374)**	(24,866)
Realised gain on held-for-trading investment		**3,289**	–
Other income		**1**	5
Operating expenses		**(49,395)**	(20,766)
Interest expense on trading accounts		**(3)**	–
Loss before taxation		**(29,254)**	(27,257)
Taxation	*5*	**(1,028)**	(1,293)
Loss for the period	*6*	**(30,282)**	(28,550)

	Notes	Six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	 2011 (Unaudited) *HK$'000*
Other comprehensive income			
Fair value changes on available-for-sale investments		**3,200**	(6,600)
Deferred tax relating to fair value change on available-for-sale investments		**–**	1,089
Other comprehensive income (expense)		**3,200**	(5,511)
Total comprehensive expense for the period		**(27,082)**	(34,061)
Loss for the period attributable to the owners of the Company		**(30,282)**	(28,550)
Total comprehensive expense attributable to the owners of the Company		**(27,082)**	(34,061)
		HK cents	*HK cents*
Loss per share	*8*		
Basic		**(0.70)**	(0.70)
Diluted		**(0.70)**	(0.70)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	At 30 June 2012 (Unaudited) HK$'000	At 31 December 2011 (Audited) HK$'000
NON-CURRENT ASSETS			
Equipment		**318**	369
Mortgage loans	*9*	**27,778**	11,235
Loan receivables	*10*	**10,000**	–
Deposit paid for acquisition of a subsidiary	*11*	**10,000**	10,000
Available-for-sale investments	*12*	**9,502**	6,619
		57,598	28,223
CURRENT ASSETS			
Mortgage loans	*9*	**595**	654
Financial assets at fair value through profit or loss	*13*	**8,706**	20,626
Loan receivables	*10*	**240,712**	280,712
Tax recoverable		**–**	35
Prepayments, deposits and other receivables	*14*	**47,431**	33,383
Bank balances		**4,613**	17,994
		302,057	353,404
CURRENT LIABILITIES			
Other payables and accruals		**13,141**	9,024
Tax payable		**993**	–
		14,134	9,024
NET CURRENT ASSETS		**287,923**	344,380
		345,521	372,603
CAPITAL AND RESERVES			
Share capital	*15*	**435,149**	435,149
Reserves		**(89,628)**	(62,546)
		345,521	372,603

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting Period of the Group and the Company. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs and Interpretations. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Income Taxes: Deferred Tax – Recovery of Underlying Assets

The application of the amendments to HKFRS 7 and HKAS 12 in the current accounting Period have had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not applied any new standard, interpretation and amendments to HKFRSs that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

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

	Six months ended 30 June 2012		
	Loan financing *HK$'000*	**Treasury investments** *HK$'000*	**Total** *HK$'000*
Revenue	**20,222**	**6**	**20,228**
Segment loss	**(22,191)**	**(114)**	**(22,305)**
Central administration costs			**(6,949)**
Loss before taxation			**(29,254)**

	Six months ended 30 June 2011		
	Loan financing *HK$'000*	Treasury investments *HK$'000*	Total *HK$'000*
Revenue	18,368	2	18,370
Segment profit (loss)	18,128	(24,863)	(6,735)
Central administration costs			(20,522)
Loss before taxation			(27,257)

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

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of central administration costs such as directors' remuneration, staff salaries, operating lease rental and legal and professional fees. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

4. REVENUE

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

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Loan financing:		
Interest on mortgage loans	**1,604**	949
Interest on loan receivables	**18,618**	17,419
Treasury investments:		
Interest on bank deposits	**6**	2
	20,228	18,370

5. TAXATION

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong		
– Current tax	**1,028**	204
– Deferred tax	**–**	1,089
Income tax expense for the period	**1,028**	1,293

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

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Depreciation	**52**	43
Impairment allowance on mortgage loans charged/(written back)	**4**	(33)
Impairment loss recognised in respect of loan receivables	**35,000**	–
Impairment loss recognised in respect of interest receivables	**2,763**	–

7. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2012, nor has any dividend been declared since the end of reporting date (2011: Nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic loss per share and diluted loss per share		
Loss for the period attributable to owners of the Company	**(30,282)**	(28,550)

	Six months ended 30 June	
	2012	2011
	Shares	*Shares*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,351,488,667**	4,064,819,078

The computation of diluted loss per share for the period ended 30 June 2012 and 2011 does not assume the exercise or conversion of the Company's outstanding option for convertible bonds, convertible bonds and warrants since their assumed exercise or conversion would result in a decrease in the loss per share.

9. MORTGAGE LOANS

	At 30 June 2012 *HK$'000*	At 31 December 2011 *HK$'000*
Fixed-rate loans receivable	**27,927**	11,390
Variable-rate loans receivable	**446**	499
	28,373	11,889
Carrying amount analysed for reporting purposes:		
– Current assets (receivable within 12 months from the reporting date)	**595**	654
– Non-current assets (receivable after 12 months from the reporting date)	**27,778**	11,235
	28,373	11,889

Fixed-rate loans receivable and variable-rate loans receivable are secured by pledge of properties and bear interest at market interest rates.

The mortgage loans as at 30 June 2012 are net of impairment allowances of HK$4,000 (31 December 2011: NIL).

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:

	At 30 June 2012 *HK$'000*	At 31 December 2011 *HK$'000*
Repayable:		
Within 3 months	**272**	159
Between 3 months and 1 year	**447**	495
Between 1 and 5 years	**27,654**	11,179
After 5 years	**–**	56
	28,373	11,889

10. LOAN RECEIVABLES

	At 30 June 2012 HK$'000	At 31 December 2011 HK$'000
Fixed-rate loan receivables	**86,000**	81,000
Variable-rate loan receivables	**200,712**	200,712
	286,712	281,712
Less: impairment allowance on fixed-rate loan receivables	**(36,000)**	(1,000)
	250,712	280,712
Carrying amount analysed for reporting purposes		
– Current assets (receivable within 12 months from the reporting date)	**240,712**	280,712
– Non-current assets (receivable after 12 months from the reporting date)	**10,000**	–
	250,712	280,712

(i) The loan receivables outstanding at 30 June 2012 and 31 December 2011 are denominated in Hong Kong dollars.

(ii) At 30 June 2012 and 31 December 2011, a loan receivable amounting to HK$60,000,000, carries fixed interest at 9% per annum and is secured by a convertible bond issued by a listed entity in Hong Kong.

(iii) A loan receivable amounting to approximately HK$200,712,000 is secured by a floating charge on the entire assets (mainly included a residential property located in Hong Kong) of the guarantor. The loan bore variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited which was reclassified from mortgage loan receivables during the year ended 31 December 2011.

In December 2011, the Group called for repayment on the principal amount of loan and respective accrued interest. Therefore, the loan receivable of approximately HK$200,712,000 became due immediately.

At 31 December 2011, according to the valuation report dated 12 March 2012 (the "Valuation Report") issued by an independent professional valuer, Malcolm & Associates Appraisal Limited, the fair value of the residential property located in Hong Kong owned by the guarantor (the "Property") is HK$400,000,000. With regard to the effect of the winding up petition filed in the High Court of Hong Kong against the guarantor, the fair value of the Property would be discounted by a range of 10% of the fair value stated in the Valuation Report. The directors of the Company are of the opinion that the fair value of the Property exceeded the carrying values of the principal amount of the loan and the interest receivables. Accordingly, no impairment allowance is considered necessary.

(iv) A loan receivable amounting to HK$15,000,000 as at 30 June 2012 (31 December 2011: HK$15,000,000) is secured by a corporate guarantee issued by a listed entity in Hong Kong and carries interest at the rate of 9% per annum.

(v) A loan receivable amounting to HK$10,000,000 as at 30 June 2012 (31 December 2011: NIL) is secured by a bond issued by a listed entity in Hong Kong and the interest on the loan is charged at the rate of 12.25% per annum for the first 2 years and at the rate of 6% per annum thereafter..

The remaining loan receivables of HK$1,000,000 at 30 June 2012 (31 December 2011: HK$6,000,000) are unsecured and carry fixed interest rates at 20% per annum.

The maturity profile of these loans receivable at the reporting date, analysed by the remaining periods to their contracted maturity, is as follows.

	At 30 June 2012 *HK$'000*	At 31 December 2011 *HK$'000*
Overdue	**225,712**	203,712
Between 3 months and 1 year	**15,000**	77,000
Between 1 and 5 years	**–**	–
Over 5 years	**10,000**	–
	250,712	280,712

Included in the carrying amount of the fixed-rate loan receivables of HK$3,000,000 as at 31 December 2011 is unsecured loan borrowed by a listed entity in Hong Kong. The loan was fully repaid during the current period.

Movement in the accumulated impairment allowance on loan receivables:

	The Group
	HK$'000
Impairment allowance movement	
At 1 January and 31 December 2011	1,000
Charge during the period	35,000
At 30 June 2012	36,000

11. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

As at 30 June 2012, the deposit represents deposit paid for acquisition of 100% equity interest in Weldtech Technology Co. Limited (the "Acquisition"). The amount is non-interest bearing.

Pursuant to the announcement of the Company dated 25 February 2011, Wise Planner Limited ("Wise Planner"), a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with (i) Carbon Reserve Investments Limited; (ii) Newmargin Partners Ltd; (iii) Season Best Investments Limited; (iv) Cross Cone Holdings Limited; (v) Smart Promise Limited; and (vi) SV Technology Company Limited (collectively referred to as the "Vendors") to acquire the entire issued 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 was to 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. At 30 June 2012 and 31 December 2011, HK$10,000,000 cash has been paid as deposit ("Initial Deposit").

On 24 June 2011, the Acquisition was approved by the shareholders of the Company at the extraordinary general meeting. On 22 December 2011, Wise Planner and the Vendors have entered into a fifth supplemental agreement (the "Fifth Supplemental Agreement") to extend the long stop date of the Sale and Purchase Agreement to 31 January 2012 and amend certain terms and conditions of the Sale and Purchase Agreement. On 29 February 2012, Wise Planner, the Vendors, Mr. Wong Ho Yuen, Mr. Wu Gang and the Company (collectively, the "VSA Parties") reached an understanding not to further extend the long stop date, and instead discussed about the way to proceed with the acquisition of 100% equity interest in Weldtech Technology Co. Limited, including doing so in or under an optimal and/or revised structure.

On 24 August 2012 (after trading hours), the VSA Parties mutually agreed to terminate the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) by entering into the termination agreement (the "Termination Agreement ").

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the VSA Parties to the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) shall be released and neither party shall have any claims against the other for or on account of the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement).

Pursuant to the Termination Agreement, SV Technology shall return the Initial Deposit of HK$10,000,000 to Wise Planner within 90 days from the date of the Termination Agreement (or such other date as the Wise Planner and SV Technology may agree in writing).

Details of the Acquisition had been disclosed in the Company's announcements dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012, 22 March 2012 and 24 August 2012, respectively, and the Company's circular dated 31 May 2011.

12. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2012 HK$'000	At 31 December 2011 HK$'000
Equity securities listed in Hong Kong	**9,243**	6,360
Unlisted equity securities, at cost	**500**	500
Less: impairment recognised during the period	**(241)**	(241)
Equity securities in Hong Kong, net	**259**	259
	9,502	6,619

The equity securities listed in Hong Kong represent the fair value of an equity investment in 4.33% 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 with reference to the quoted market bid price available on the Stock Exchange at 30 June 2012.

The unlisted investments represent investments in unlisted equity securities in 5% of the total outstanding issued shares of a company incorporated in Hong Kong at the end of the reporting period. They are measured at cost less identified impairment losses at the end of the reporting period because their fair values cannot be measured reliably.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2012 HK$'000	At 31 December 2011 HK$'000
Held-for-trading investments:		
Equity securities listed in Hong Kong	**8,706**	20,626

At 30 June 2012 and 31 December 2011, the fair value of the listed equity securities was determined based on the quoted market bid prices available on the Stock Exchange.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2012 *HK$'000*	At 31 December 2011 *HK$'000*
Interest receivable	**49,044**	31,315
Prepayments	**825**	1,431
Receivables from securities brokers	**2,263**	2,577
Receivable from disposal of a subsidiary	**9,200**	9,200
Others	**310**	308
	61,642	44,831
Less: Impairment allowance	**(14,211)**	(11,448)
	47,431	33,383

The movement in the accumulated impairment allowance on interest receivables and other receivables is as follows:

	Impairment allowance on interest receivables *HK$'000*	**Impairment allowance on other receivables** *HK$'000*	**Total** *HK$'000*
Impairment allowance movement			
At 1 January and 31 December 2011	2,248	9,200	11,448
Charge during the period	2,763	–	2,763
At 30 June 2012	5,011	9,200	14,211

15. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of par value HK$0.1 each		
Authorised:		
As at 1 January 2011	5,000,000,000	500,000
Increase in authorised share capital *(note a)*	25,000,000,000	2,500,000
As at 1 January and 30 June 2012	30,000,000,000	3,000,000
Issued and fully paid:		
As at 1 January 2011	3,994,700,358	399,470
Issue of shares upon conversion of convertible bonds *(note 16)*	346,788,309	34,679
Exercise of warrant *(note 17)*	10,000,000	1,000
As at 1 January and 30 June 2012	4,351,488,667	435,149

Note:

(a) Pursuant to an extraordinary general meeting of the Company held on 24 June 2011, the authorised share capital of the Company was increased from HK$500,000,000 to HK$3,000,000,000 by the creation of an additional 25,000,000,000 shares of HK$0.10 each. The new shares shall rank *pari passu* in all respects with the existing issued shares of the Company.

16. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS AND CONVERTIBLE BONDS

Pursuant to the Open Offer, 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. Totaling 55,224,130 options were lapsed upon expiry of exercise period on 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 the 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 the 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 six months ended 30 June 2012, no convertible bonds (year ended 31 December 2011: HK$34,678,831) were converted into ordinary shares of HK$0.1 each of the Company.

At 30 June 2012 and 31 December 2011, the Company had convertible bonds in the principal amount of HK$78,720 outstanding.

17. 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$0.1 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 warrant placing agreement dated 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, respectively.

During the six months ended 30 June 2012, no warrants have been exercised or issued. On 21 June 2012, all of the 552,000,000 outstanding non-listed warrants expired.

18. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2012	At 31 December 2011
	HK$'000	*HK$'000*
Within one year	**1,395**	1,538
Two to five years	**130**	771
	1,525	2,309

19. CAPITAL COMMITMENTS

	At 30 June 2012 *HK$'000*	At 31 December 2011 *HK$'000*
Commitments related to acquisition of a subsidiary contracted for but not provided in the consolidated financial statements	–	2,790,000

Pursuant to the Company's announcement dated 25 February 2011, Wise Planner entered into the Sale and Purchase Agreement with the Vendors to acquire the entire share capital of Weldtech Technology, at a consideration of HK$2,800,000,000. At 30 June 2012 and 31 December 2011, HK$10,000,000 cash has been paid as deposit.

On 24 August 2012 (after trading hours), the VSA Parties mutually agreed to terminate the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) by entering into the Termination Agreement.

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the VSA Parties to the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) shall be released and neither party shall have any claims against the other for or on account of the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement).

Pursuant to the Termination Agreement, SV Technology shall return the Initial Deposit of HK$10,000,000 to Wise Planner within 90 days from the date of the Termination Agreement (or such other date as Wise Planner and SV Technology may agree in writing).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

During the six months ended 30 June 2012, the Group recorded an unaudited revenue of approximately HK$20.2 million, representing an increase of 10.1% as compared with HK$18.4 million for the last corresponding period. An unaudited loss attributable to the owners of the Company of HK$30.3 million (2011: loss of HK$28.6 million) was recorded.

The total revenue of approximately HK$20.2 million (2011: HK$18.4 million) was generated from the Group's loan financing business, which contributed a segment loss of HK$22.2 million (2011: segment profit of HK$18.1 million). Such increase in loss was mainly attributable to impairment loss in respect of loan and interest receivable recognised during the six months ended 30 June 2012. As at 30 June 2012, the Group held mortgage loans and loan receivable amounted to approximately HK$28.4 million (31 December 2011: approximately HK$11.9 million) and approximately HK$250.7 million (31 December 2011: approximately HK$280.7 million) respectively.

With respect to the treasury investments, a segment loss of approximately HK$114,000 was recorded for the period under review, representing a decrease of approximately 99.5% as compared with HK$24.9 million for the last corresponding period. As at 30 June 2012, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounted to approximately HK$9.5 million and HK$8.7 million (31 December 2011: approximately HK$6.6 million and HK$20.6 million), respectively. Such decrease in loss was mainly attributable to the decrease in fair-value changes on financial assets at fair value through profit or loss.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group's bank balances amounted to approximately HK$4.6 million (31 December 2011: HK$18.0 million) and did not have any borrowings (31 December 2011: Nil). The net assets and the net current assets of the Group amounted to approximately HK$345.5 million (31 December 2011: HK$372.6 million) and HK$287.9 million (31 December 2011: HK$344.4 million), respectively.

Gearing ratio of the Group as at 30 June 2012, which was calculated as net debts (as calculated by total borrowings less bank balances) divided by total equity, was zero (31 December 2011: zero).

CAPITAL STRUCTURE

As at 30 June 2012, the Company's issued ordinary share capital was HK$435,148,866.70 divided into 4,351,488,667 shares of HK$0.1 each ("**Share(s)**") (31 December 2011: HK$435,148,866.70 divided into 4,351,488,667 Shares).

Pursuant to the open offer of the Company in 2010, the Company has issued a total of 449,999,997 options to the subscribers of the offer Shares ("**Option(s)**"). The Option holders are entitled to subscribe in cash for the zero-coupon convertible bonds of the Company during the period from 5 May 2010 to 4 May 2011 (the "**Exercise Period**") (collectively, "**Convertible Bonds**"). Totalling 55,224,130 Options were lapsed upon expiry of Exercise Period on 4 May 2011.

As at 30 June 2012, the Company had Convertible Bonds in the principal amount of HK$78,720 outstanding, of which the conversion in full at the initial conversion price of HK$0.10 per conversion share (subject to adjustment) would result in a further issuance of a maximum of 787,200 new Shares.

During the six months ended 30 June 2012, no warrants have been exercised or issued. On 21 June 2012, all of the 552,000,000 outstanding non-listed warrants expired.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any charges on its assets and there had not been any contingent liabilities.

FOREIGN CURRENCY EXPOSURE

During the period under review, all assets of the Group are denominated in Hong Kong dollars except for some bank balances. As such, the Group's exposure to foreign exchange currency rate risk is insignificant.

MATERIAL ACQUISITIONS

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

Weldtech Technology holds the entire equity interest in 日滔貿易(上海)有限公司, a wholly foreign owned enterprise established in the People's Republic of China (the "**PRC**") (the "**WFOE**") (Weldtech Technology together with the WFOE referred to as the "**Weldtech Group**"). Pursuant to the business licence of the WFOE, the business scope of the WFOE, among others, 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 ultra performance plant control system ("**UPPC**") and other components.

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

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

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

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

After 31 January 2012, the VSA Parties continued to negotiate on the possible further extension of the long stop date. The VSA Parties are desirous to complete the Acquisition and the discussions amongst the VSA Parties have never broken down. However, in view of the Ruling which cast great uncertainty on the proceeding of the Acquisition under the current structure, on 29 February 2012, the VSA Parties reached an understanding not to further extend the long stop date, and instead discussed about the way to proceed with the

Acquisition, including doing so in or under an optimal and/or revised structure (the "**Revised Structure**"). As such, the VSA Parties may set out the terms and conditions of the Acquisition or the Revised Structure, proceed with the Acquisition or the Revised Structure regardless of the fact that the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) has lapsed as on 29 February 2012.

On 24 August 2012 (after trading hours), the VSA Parties mutually agreed to terminate the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) by entering into the Termination Agreement.

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the VSA Parties to the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) shall be released and neither party shall have any claims against the other for or on account of the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement).

Pursuant to the Termination Agreement, SV Technology shall return the Initial Deposit of HK$10,000,000 to the Purchaser within 90 days from the date of the Termination Agreement (or such other date as the Purchaser and SV Technology may agree in writing).

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

FUND RAISING ACTIVITIES

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

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

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

On 24 July 2012, the Company and the Placing Agent entered into the second placing agreement (the "**Second Option Placing Agreement**") with respect to which the Placing Agent has conditionally agreed to subscribe for up to 100 options on a best-effort basis to not less than six independent placees at a premium of HK$7,830 per option. Upon exercise of each of the option, the optionholder is entitled to subscribe for the convertible bonds in the principal amount of HK$156,600 at the subscription price of HK$156,600. Assuming that all 100 options are exercised in full, the optionholders are entitled to subscribe for, in aggregate, the convertible bonds in the principal amount of HK$15,660,000 at the subscription price of HK$15,660,000. The Company intends to use the funds raised from the Second Option Placing Agreement and the subscription of the convertible bonds for the Company's general working capital. For further details, please refer to the Company's announcements dated 19 April 2012 and 24 July 2012, respectively. As at the date of this announcement, this Option Placing Agreement is not yet completed.

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

Each of the warrant ("**2012 Warrant**") entitled its holder thereof to subscribe for one share at an initial warrant exercise price of HK$0.147 per share (subject to adjustment) during a period of 24 months ended on 21 June 2012. At results, all of 552,000,000 unexercised 2012 Warrant were expired on 21 June 2012.

CAPITAL REORGANISATION

The shareholders of the Company had at the Company's extraordinary general meeting held on 21 June 2012 approved the proposed Capital Reorganisation that involves:

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

(b) the Share Consolidation under which every ten (10) Reduced Shares of HK$0.01 each will be consolidated into one (1) Adjusted Share of HK$0.10 each;

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

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

For details and the meanings of the capitalized terms used in this section, please refer to the Company's announcements dated 19 April 2012, 27 April 2012, 9 May 2012, 21 June 2012, 18 July 2012 and 14 August 2012, respectively and the Company's circular dated 29 May 2012. The application is in progress and is not yet effective as at the date of approval of these interim financial statements.

SIGNIFICANT INVESTMENTS HELD

Save as reported in section "BUSINESS REVIEW" above, as at 30 June 2012, the Group held no other significant investments.

STAFF AND REMUNERATION

As at 30 June 2012, the Group had 14 (2011: 10) employees and total staff costs incurred during the period under review amounted to approximately HK$2.02 million (2011: approximately HK$2.9 million). The Group offers competitive remuneration packages to its employees.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

LITIGATION

On 14 March 2012, The Building and Loan Agency (Asia) Limited (a wholly-owned subsidiary of the Company) filed a winding-up petition in the High Court of Hong Kong against Joy Rich Development Limited for its default on full repayment of a loan in the principal amount of HK$200,712,328.77 together with interest accrued thereon (the "**Petition**"). For further details, please refer to the Company's announcement dated 14 March 2012.

The Building and Loan Agency (Asia) Limited subsequently decided not to proceed with the Petition after considering legal advice on the likely timing of the liquidation process and the costs involved in liquidation. Other enforcement actions may be implemented against Joy Rich Development Limited for repayment of the loan and interest accrued thereon.

Save as disclosed above, so far as known to the Board, there was no other litigation, arbitration or claim of material importance in which the Group is engaged or pending or which was threatened against the Group.

EVENTS AFTER THE REPORTING PERIOD

As reported under "FUND RAISING ACTIVITIES" above, the placing of options under the Option Placing Agreement cannot be completed. On 24 July 2012, the Company and the Placing Agent entered into the Second Option Placing Agreement to replace the Option Placing Agreement. For further details, please refer to the Company's announcement dated 24 July 2012.

OUTLOOK AND PROSPECT

It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value to the shareholders of the Company. The Group will continue to explore and broaden the existing businesses in order to strengthen our competitiveness and provide business growth potential. The Group is also seeking for other investment opportunities for diversifying its business portfolios. On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to the shareholders in view of the promising market outlook.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2012.

CORPORATE GOVERNANCE

During the period under review, the Company applied the principles of and complied with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rule(s)**") on the Stock Exchange, except for the following deviations:

CG Code A.2.1 provides that the roles of chairman (the "**Chairman**") and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. During the period under review, the Company did not appoint a Chairman or CEO. The functions of the Chairman and CEO are performed by the Directors. The Board will review the current practice from time to time and make appropriate changes if necessary.

CG Code A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lam Kwok Hing, Wilfred, a non-executive Director, was unable to attend the extraordinary general meeting ("**EGM**") and the annual general meeting of the Company ("**AGM**") held on 21 June 2012 and 28 June 2012 respectively, as he was on an overseas engagement. Mr. Yeung Wai Hung, Peter, an independent non-executive Director, was unable to attend the EGM due to personal reason. Mr. Lam Raymond Shiu Cheung, an independent non-executive Director, was unable to attend the AGM due to other important business engagement.

Pursuant to Listing Rule 3.10(1), every board of directors of a listed issuer must include at least three independent non-executive directors. The Company was not in compliance with Listing Rule 3.10(1) since the re-designation of Mr. Lam Kwok Hing, Wilfred from an independent non-executive Director to a non-executive Director took place on 21 October 2011, which the number of independent non-executive Directors dropped to two thereafter. In this regard, the Company immediately informed the Stock Exchange and made proper disclosure in its announcements containing the relevant details and reasons for the Company's failure to meet the requirements. On 17 February 2012, the Company appointed Mr. Lam Raymond Shiu Cheung as an independent non-executive Director and the requirement under Listing Rule 3.10(1) was fulfilled since then.

On 3 August 2012, Mr. Ng Cheuk Fan, Keith has resigned as an independent non-executive Director. He also ceased to be the chairman of each of the audit committee, remuneration committee and nomination committee of the Company. The Company was not in compliance with Listing Rules 3.10(1) and 3.21. In addition, the Company was not in compliance with Listing Rules 3.10(2) and 3.21 since the chairman of the audit committee of the Company (the "**Audit Committee**") will be vacant and the Board and the Audit Committee will no longer comprise at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The Company is endeavouring to identify suitable candidate to fill the vacancy as soon as practicable.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All the directors of the Company, following a specific enquiry by the Company, have confirmed that they have complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2012. The Audit Committee has approved the unaudited interim financial statements.

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

Hong Kong, 28 August 2012

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