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 2014

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 (collectively, the "**Group**") for the six months ended 30 June 2014 with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**3,752**	24,877
Interest income		**3,752**	24,877
Interest expense	*6*	**(2,115)**	(2,532)
Net interest income		**1,637**	22,345
Fair value changes on financial assets at fair value through profit or loss		**(25,621)**	(14,772)
Gain on disposal of financial assets at fair value through profit or loss		**5,565**	3,764
Other income		**168**	2
Selling expenses		**(869)**	–
Operating expenses		**(117,208)**	(9,511)
Finance costs	*6*	**(892)**	(266)

	Notes	Six months ended 30 June **2014** **(Unaudited)** ***HK$'000***	 2013 (Unaudited) *HK$'000*
(Loss)/profit before tax		**(137,220)**	1,562
Income tax expense	*5*	**–**	(938)
(Loss)/profit for the period		**(137,220)**	624
Other comprehensive income/(expense) for the period (after tax and reclassification adjustment):			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translation of foreign operations		**100**	–
Fair value changes on available-for-sale investments		**–**	(1,449)
Other comprehensive income/(expense) for the period		**100**	(1,449)
Total comprehensive expense for the period		**(137,120)**	(825)
(Loss)/profit for the period attributable to owners of the Company		**(137,220)**	624
Total comprehensive expense attributable to owners of the Company		**(137,120)**	(825)
		HK cents	*HK cents*
(Loss)/earnings per share	*8*		
Basic		**(21.85)**	0.14
Diluted		**(21.85)**	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	At 30 June 2014 (Unaudited) *HK$'000*	At 31 December 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Intangible assets		**889,901**	–
Property, plant and equipment		**3,568**	1,141
Mortgage loans	*9*	**–**	7,000
Loan receivables	*10*	**50,333**	60,487
Deposit paid for acquisition of a subsidiary		**–**	10,000
Available-for-sale investments	*11*	**259**	259
Finance lease receivables		**18,806**	–
Goodwill		**1,275,620**	–
		2,238,487	78,887
CURRENT ASSETS			
Mortgage loans	*9*	**58,944**	21,346
Financial assets at fair value through profit or loss	*12*	**93,428**	92,920
Inventories		**690**	–
Construction in progress		**9,718**	–
Loan receivables	*10*	**191,518**	188,016
Trade and bills receivables	*13*	**867**	–
Prepayments, deposits and other receivables	*14*	**18,331**	10,483
Finance lease receivables		**8,690**	–
Tax recoverable		**2,302**	2,302
Pledged bank deposits		**788**	–
Bank balances and cash		**38,702**	3,979
		423,978	319,046
CURRENT LIABILITIES			
Trade and other payables	*15*	**124,986**	15,052
Borrowings	*16*	**40,000**	5,000
Non-convertible bonds	*17*	**3,000**	–
Contingent consideration payables		**62,554**	–
Amount due to a shareholder		**26,611**	–
		257,151	20,052
NET CURRENT ASSETS		**166,827**	298,994
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,405,314**	377,881

	Notes	At **30 June** **2014** **(Unaudited)** ***HK$'000***	At 31 December 2013 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Non-convertible bonds	*17*	**40,000**	50,000
Convertible bonds	*20*	**437,697**	4,563
Promissory notes		**247,295**	–
Contingent consideration payables		**83,405**	–
Deferred tax liabilities		**275,676**	–
		1,084,073	54,563
NET ASSETS		**1,321,241**	323,318
CAPITAL AND RESERVES			
Share capital: nominal value		**–**	54,059
Other statutory capital reserves		**–**	59,058
Share capital and other statutory capital reserves	*18*	**619,596**	113,117
Other reserves		**701,645**	210,201
		1,321,241	323,318

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 are the same as those followed in the preparation of the Group's consolidated annual financial statements for the year ended 31 December 2013.

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

Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
HK(IFRIC) 21	Levies

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

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria such as the meaning of "currently has a legally enforceable right to set-off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria for certain gross settlement systems which may be considered equivalent to the net settlement system. The adoption of this amendment does not have material impact on the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among other things, the amendments expand the disclosures required for an impaired asset or cash-generating units whose recoverable amount is based on fair value less costs of disposal. The adoption of this amendment does not have any impact on the Group.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The adoption of this amendment does not have material impact on the Group.

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 2014			
	Loan financing *HK$'000*	**Treasury investments** *HK$'000*	**Design and provision of energy saving solution** *HK$'000*	**Total** *HK$'000*
Revenue	**3,752**	**–**	**–**	**3,752**
Segment profit/(loss)	**1,528**	**(20,484)**	**(3,028)**	**(21,984)**
Central administration costs				**(115,236)**
Loss before tax				**(137,220)**

	Six months ended 30 June 2013			
	Loan financing *HK$'000*	Treasury investments *HK$'000*	Design and provision of energy saving solution *HK$'000*	Total *HK$'000*
Revenue	24,877	–	–	24,877
Segment profit/(loss)	17,883	(11,339)	–	6,544
Central administration costs				(4,982)
Profit before tax				1,562

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

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.

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Loan financing:		
Interest on mortgage loans	**1,500**	1,668
Interest on loan receivables	**2,252**	23,209
	3,752	24,877

5. TAXATION

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	938
Income tax expense for the period	**–**	938

Hong Kong Profits Tax

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

PRC Enterprise Income Tax

The provision for PRC Enterprise Income Tax for the Group's subsidiary in The People's Republic of China ("**the PRC**") is based on PRC Enterprise Income Tax rates of 25% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC.

During the six months ended 30 June 2014, the Group's subsidiary in the PRC was qualified as a High Technology Enterprise and enjoyed a PRC Enterprise Income Tax rate of 15% instead of 25%.

6. (LOSS)/PROFIT FOR THE PERIOD

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

		Six months ended 30 June	
		2014	2013
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest expense on non-convertible bonds	**2,115**	2,532
	Finance costs:		
	Interest expense on borrowings	**873**	248
	Interest expense on securities trading accounts	**19**	18
		892	266
(b)	**Other items**		
	Depreciation	**470**	19
	Reversal of impairment loss in respect of interest receivables	**–**	(70)
	Referral fee arising from acquisition	**86,660**	–

7. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2014, nor has any dividend been declared since the end of reporting date (2013: Nil).

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
(Loss)/profit for the period attributable to equity shareholders of the Company	**(137,220)**	624

	Six months ended 30 June	
	2014	2013
	Shares '000	*Shares '000*
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**627,872**	435,149
Effect of dilutive potential ordinary shares:		
Options to subscribe convertible bonds	**–**	83,597
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**627,872**	518,746

The computation of diluted loss per share for the six months ended 30 June 2014 does not include the options to subscribe for convertible bonds, convertible bonds and share options as the assumed exercise of these options to subscribe for convertible bonds, convertible bonds and share options has an anti-dilutive effect.

9. MORTGAGE LOANS

	At 30 June 2014 *HK$'000*	At 31 December 2013 *HK$'000*
Fixed-rate loans receivable	**58,944**	28,346
	58,944	28,346
Carrying amount analysed for reporting purposes:		
– Current assets (receivable within 12 months from the reporting date)	**58,944**	21,346
– Non-current assets (receivable after 12 months from the reporting date)	**–**	7,000
	58,944	28,346

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

No impairment on these mortgage loans has been recognised at 30 June 2014 (31 December 2013: 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 2014 *HK$'000*	At 31 December 2013 *HK$'000*
Repayable:		
Within 3 months	**11,269**	537
Over 3 months but less than 1 year	**47,675**	20,809
Over 1 year but less than 5 years	**–**	7,000
	58,944	28,346

10. LOAN RECEIVABLES

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Fixed-rate loan receivables	**75,851**	82,503
Variable-rate loan receivables	**200,712**	200,712
	276,563	283,215
Less: impairment allowance on fixed-rate loan receivables	**(34,712)**	(34,712)
	241,851	248,503
Carrying amount analysed for reporting purposes		
– Current assets (receivable within 12 months from the reporting date)	**191,518**	188,016
– Non-current assets (receivable after 12 months from the reporting date)	**50,333**	60,487
	241,851	248,503

(i) The loan receivables outstanding at 30 June 2014 and 31 December 2013 are denominated in Hong Kong dollars.

(ii) A loan receivable in the principal amount of approximately HK$200,712,000 (31 December 2013: approximately HK$200,712,000) is due to The Building and Loan Agency (Asia) Limited ("**The BLA (Asia)**"), a wholly-owned subsidiary of the Company, by the borrower and the guarantor. As previously reported, the loan, which bore variable interest based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited, was once secured by a floating charge over the entire assets of the guarantor, including a residential property in Hong Kong (the "**Property**"). Due to the failure on the part of the borrower and the guarantor to repay the loan and interest accrued thereon on demand, the floating charge was crystallised, and thus became a fixed charge, on 24 February 2012 (the "**Charge**").

Also as previously reported, on 22 February 2013, Fameway Finance Limited ("**Fameway**") and another two unsecured creditors entered into a debt recovery agreement with The BLA (Asia) in which it is agreed, inter alia, that The BLA (Asia) would enforce the Charge, and that The BLA (Asia) would be entitled to 74% of any sum recovered against the guarantor while Fameway and the other two unsecured creditors be entitled to the remaining 26%.

On 1 March 2013, The BLA (Asia) assigned its rights under the relevant loan agreement and the Charge to Revelry Gains Limited ("**Revelry Gains**"), another wholly-owned subsidiary of the Company. On the same date, The BLA (Asia), Revelry Gains, Fameway and the other two unsecured creditors executed a supplemental debt recovery agreement to revise and supplement the original debt recovery agreement, and in accordance therewith, all duties and rights of The BLA (Asia) in and under the original debt recovery agreement has been transferred to Revelry Gains.

Relying on legal advice, Revelry Gains commenced legal proceedings in the Court of First Instance of the High Court (the "**Court**") against the guarantor for, inter alia, recovery of possession of the Property (the "**Action**"). However, before the Action was heard by the Court, a winding-up order was made against the guarantor, and the Action was stayed. Revelry Gains is in the course of applying for leave to proceed with the Action. As such, the Action is still ongoing, and progress of the same will be disclosed as and where appropriate. It is opined that the Action is highly likely to succeed as it is the most direct way to obtain possession for a sale of the Property.

According to the valuation report dated 20 March 2014 prepared by Malcolm & Associates Appraisal Limited, an independent valuer, the fair value of the Property as at 31 December 2013 is HK$290,000,000 while the forced sale value of the Property will be discounted to HK$232,000,000.

Taking into account the debt recovery agreement as revised and supplemented by the supplemental debt recovery agreement, the Directors are of the opinion that the fair value of the Property is lower than the carrying values of the principal amount of the loan and the interest accrued thereon. Accordingly, impairment loss of loan receivables and loan interest receivables of approximately HK$29,032,000 and HK$88,258,000, respectively, is recognised for the year ended 31 December 2013.

(iii) Included in the fixed rate loan receivables, approximately HK$4,680,000, HK$20,000,000, HK$49,700,000 (31 December 2013: HK$4,680,000, HK$20,000,000, HK$56,020,000) are secured by ordinary shares of a unlisted company, properties, and corporate guarantees respectively. These loans carry fixed interest rates at a range from 8% to 20.5% (31 December 2013: 8% to 20.5%) per annum.

(iv) The loan receivables amounting to approximately HK$1,471,170 (31 December 2013: HK$1,623,000) are unsecured and carry fixed interest rates at a range from 9% to 20% (31 December 2013: 9% to 20%) per annum.

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

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Repayable:		
Within 3 months	**180,382**	171,713
Over 3 months but less than 1 year	**11,136**	16,303
Over 1 year but less than 5 years	**333**	487
More than 5 years	**50,000**	60,000
	241,851	248,503

Movement in the accumulated impairment allowance on loan receivables:

	HK$'000
Impairment allowance movement	
At 1 January 2013	1,000
Charge during the year 2013	33,712
At 31 December 2013 and 30 June 2014	**34,712**

Included in the above accumulated impairment allowance recognised at 30 June 2014 was impaired loan receivable with carrying amount of approximately HK$206,392,000 (31 December 2013: HK$206,392,000) before impairment.

11. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Unlisted equity securities, at cost	**500**	500
Less: accumulated impairment allowance	**(241)**	(241)
Unlisted equity securities in Hong Kong, net	**259**	259

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.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Held-for-trading investments:		
Equity securities listed in Hong Kong	**93,428**	92,920

At 30 June 2014 and 31 December 2013, the fair value of the listed equity securities was determined based on the quoted market bid prices available on the Stock Exchange.

13. TRADE AND BILLS RECEIVABLES

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Trade and bills receivables	**867**	–

The ageing analysis of trade and bills receivables is as follows:

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
0-90 days	**–**	–
91-180 days	**339**	–
181-365 days	**–**	–
Over 365 days	**528**	–
Trade and bills receivables	**867**	–

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

Trade and bills receivables past due as at 30 June 2014 are not impaired because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade and bills receivables which are past due but not impaired is as follows:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
0-90 days	**339**	–
91-180 days	**–**	–
181-365 days	**528**	–
Over 365 days	**–**	–
Trade and bills receivables	**867**	–

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Interest receivable	**95,361**	94,774
Prepayments	**1,104**	490
Receivables from securities brokers	**35**	2,364
Receivable from disposal of a subsidiary	**9,200**	9,200
Deposits paid	**1,818**	–
Others	**8,742**	1,584
	116,260	108,412
Less: accumulated impairment allowance	**(97,929)**	(97,929)
	18,331	10,483

As at 30 June 2014 and 31 December 2013, the receivable from disposal of a subsidiary amounting to HK$9,200,000 was overdue and an impairment allowance of HK$9,200,000 was provided.

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 2013	70	9,200	9,270
Charge during the year 2013	88,729	–	88,729
Reverse during the year 2013	(70)	–	(70)
At 31 December 2013 and 30 June 2014	**88,729**	**9,200**	**97,929**

15. TRADE AND OTHER PAYABLES

	At 30 June 2014 ***HK$'000***	At 31 December 2013 *HK$'000*
Trade payables	**934**	–
Consideration payable on the acquisition of a subsidiary	**24,475**	–
Accrued referral fee for acquisition of a subsidiary	**49,160**	–
Accrued service fees for acquisition of a subsidiary	**5,870**	5,870
Accrued expenses	**8,932**	6,958
Interest payables	**2,459**	1,044
Other payables	**33,156**	1,180
	124,986	15,052

The ageing analysis of trade payables is as follows:

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
0-90 days	**299**	–
91-180 days	**74**	–
181-365 days	**189**	–
Over 365 days	**372**	–
Trade payables	**934**	–

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

16. BORROWINGS

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Borrowings due within one year	**40,000**	5,000

At 30 June 2014, the Group entered into a loan agreement with an independent third party, for borrowing of HK$40,000,000, which is secured by a guarantee given by CITIC International Assets Management Limited ("**CIAM**"), a shareholder of the Company, and carries a fixed interest rate at 12% per annum.

A borrowing amounting to HK$5,000,000 is interest-bearing at 10%, secured by shares issued by a listed entity in Hong Kong and repaid in full during the period.

17. NON-CONVERTIBLE BONDS

	At **30 June** **2014** ***HK$'000***	At 31 December 2013 *HK$'000*
Non-Current (i)	**40,000**	50,000
Current (ii)	**3,000**	–
	43,000	50,000

At 30 June 2014, the Group issued non-convertible bonds with a principal amount of HK$43,000,000 to five bond holders (31 December 2013: HK$50,000,000 to five bond holders). The principal terms of the non-convertible bonds are as follows:

(i)

Principal amount of each of the four bonds	HK$10,000,000
Interest rate	8% per annum, payable annually in arrears
Maturity	90 months
Redemption	The Group may redeem all or some of the non-convertible bonds from issue date to maturity date, at 100% of their principal amount

(ii)

Principal amount of one bond	HK$3,000,000
Interest rate	24% per annum, payable annually in arrears
Maturity	12 months
Redemption	The Group may redeem the non-convertible bond from issue date to maturity date, at 100% of its principal amount

18. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares, issued and fully paid:		
As at 1 January 2013	435,148,866	43,515
Exercise of share options	1,956,600	196
Issuance of share upon conversion of Convertible bonds	103,480,000	10,348
As at 31 December 2013	540,585,466	54,059
Transition to no-par value regime on 3 March 2014	–	329,244
Exercise of share options	4,785,600	1,307
Issuance of shares upon placing	87,000,000	69,600
Issuance of consideration shares	170,000,000	146,200
Issuance of convertible bonds upon exercise of convertible bond options	–	399
Issuance of share upon conversion of Convertible bonds	159,866,000	18,787
As at 30 June 2014	**962,237,066**	**619,596**

Note:

As at 31 December 2013, 3,000,000,000 ordinary shares, with par value of HK$.01 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the share capital reserve account (in the nature of capital redemption reserve as it was generated from capital reduction occurred in the year 2012) on 3 March 2014 have become part of the company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Placing 2014

On 27 May 2014, the Company and (i) China Securities (International) Corporate Finance Company Limited; (ii) Pacific Foundation Securities Limited ("**PFS**"); (iii) FT Securities Limited ("**FTS**"); (iv) RHB OSK Securities Hong Kong Limited; and (v) Ping An of China Securities (Hong Kong) Company Limited (collectively, the "**Joint Placing Agents**") entered into a placing agreement pursuant to which, the Company has conditionally agreed to place, through the Joint Placing Agents on a best effort basis, up to 397,000,000 placing shares in tranches at the placing price of HK$0.8 per placing share, to not less than six placees who and whose beneficial owners are independent third parties to the Company (the "**Placing 2014**").

The gross proceeds from the Placing 2014 were approximately HK$69,600,000 and the net proceeds after deducting placing commission and other related expenses were approximately HK$65,600,000. The net proceeds were used as to (i) HK$35.6 million for professional fees and expenses in relation to the Acquisition; and (ii) HK$30 million for general working capital of Weldtech Technology Co. Limited, including applying for the roll out of energy management contract projects and its daily operating expenses.

Subscription of New Shares under General Mandate

Pursuant to the stock lending and subscription agreement, which was entered into between the Company, a group of shareholders procured by PFS (the "**Other Vendors**"), and PFS, the Other Vendors conditionally agreed to lend or otherwise make available up to 87,000,000 Shares (the "**PF Placing Shares**") to PFS for the purpose of the placing by PFS, and PFS was authorised to deal with the PF Placing Shares in such manner in the placing by PFS under the Placing 2014 as it deems fit and appropriate. The Other Vendors also undertook to subscribe for up to 87,000,000 Shares as was equivalent to the exact number of PF Placing Shares placed, and the subscription was governed and regulated by the provisions under the stock lending and subscription agreement. The Shares subscribed were issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 21 June 2013.

For further details, please refer to the Company's announcement dated 27 May 2014, 28 May 2014, 6 June 2014 and 16 June 2014.

Subscription of New CB under Specific Mandate

On 27 May 2014, the Company, Sina Winner Investment Limited (a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8089)) (the "**First Vendor**"), and FTS entered into a convertible bonds lending and subscription agreement pursuant to which, the First Vendor has conditionally agreed to lend or otherwise make the existing convertible bonds in the principal amount of HK$41,850,000 which upon full conversion can be converted into 310,000,000 new shares to be allotted and issued by the Company at the conversion price of HK$0.135 per share (the "**CB 2014**") available to FTS at the principal amount of the CB 2014, and FTS may convert the principal amount of the CB 2014 or any part thereof into such number of Shares (the "**CB Lending and Subscription Agreement**") for the purpose of the placing by FTS ("**FT Placing**").

Based on the initial conversion price of HK$0.135 of the new convertible bonds, a maximum number of 310,000,000 new conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the new convertible bonds in full.

19. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS

On 8 October 2012, the Company issued 100 options at the premium of HK$7,830 each to the subscribers conferring the rights to the holders of the options thereof to subscribe for convertible bonds of the Company in the principal amount of HK$156,600 each at any time during the period from 8 October 2012 to 31 July 2014 ("**CB I**").

The fair value of options to subscribe convertible bonds issued on 8 October 2012 is approximately HK$13,947,000 as at 31 December 2012. The fair value of the convertible bond options is determined by an independent professional valuer, Messrs. Roma Appraisals Limited.

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

Volatility	88.12%
Share price of the Company	HK$0.21 *(Note)*
Expected life	1.81 year
Dividend yield	0%
Risk free rate	0.25%

Note: The share price of the Company was adjusted for the impact of the Capital Reorganisation.

The principal terms of the CB I are as follows:

Principal amount of each bond	HK$156,000
Coupon rate	10% per annum, payable annually in arrears
Conversion price	The initial conversion price was the higher of HK$0.018 or the par value of the shares of the Company. As the capital reorganization became effective on 19 December 2012, the conversion price has been adjusted to HK$0.18 per conversion share. As a result of the completion of placement of the first tranche of CB II (as defined in Note 20), the conversion price of CB I has been adjusted from HK$0.18 to HK$0.14 per conversion share and such adjustment became effective on 19 December 2013. As a result of the completion of placing of all remaining tranches of CB II, the conversion price of CB I has been further adjusted from HK$0.14 to HK$0.10 per conversion share with effect from 17 February 2014. Details of CB II are disclosed in Note 20 to the condensed consolidated financial information.

During the period and up to the maturity date, the CB I holders shall be able to convert in their entirety or any part of the outstanding principal amount of the CB I. The Company may, on the maturity date, at its absolute discretion, redeem all CB I which have not been redeemed or converted by maturity date at 100% of their principal amount or convert into the shares. The CB I are denominated in Hong Kong dollars and will mature on 31 December 2015. The Directors consider the CB I 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.

During the six months ended 30 June 2014, 51 options (the six months ended 30 June 2013: Nil) were exercised by the CB I option holders and CB I upon exercise of CB I options in the principal amount of approximately HK$7,986,600 was issued by the Company.

20. CONVERTIBLE BONDS

On 26 February 2013, the Company, entered into a placing agreement with FTS (the "**Placing Agreement**"), pursuant to which the placing agent has conditionally to procure the placees to subscribe for no more than 120 tranches of the convertible bond ("**the CB II**") of up to an aggregate principal amount of HK$162,000,000 with maturity on 31 December 2016. The CB II can be converted into maximum of 1,200,000,000 conversion shares of the Company at the conversion price of HK$0.135 per conversion share, from issue date of CB II to the fifth business day before maturity.

On 15 March 2013, 22 August 2013 and 16 October 2013, the Company has entered into three supplemental placing agreements (the "**Supplemental Placing Agreements**") respectively, with FTS, pursuant to which (i) the total tranche number was changed from 120 to 5 with the principal amount of the CB II placed in each tranche shall not be less than HK$1,350,000; (ii) the placing period was changed from the period of one year commencing from the execution of Placing Agreement to the period of three months commencing from the business day immediately after the extraordinary general meeting; (iii) the aggregate principal amount of the CB II was revised from HK$162,000,000 to HK$60,750,000; and (iv) the maximum number of conversion shares was revised from 1,200,000,000 to 450,000,000.

The extraordinary general meeting was held on 5 November 2013, and therefore the placing period was commenced on 6 November 2013 for three months.

On 19 December 2013, all conditions precedent for the issuance of the CB II under placing agreements have been fulfilled and the completion of the placing of the first tranche (totally in five) of the CB II in the aggregate principal amount of HK$17,550,000 to several independent parties took place on the same date.

On 17 February 2014, all the conditions precedent for the issuance of the CB II under the placing agreements have been fulfilled and the completion of the placing of the second, third, fourth and fifth tranches of the CB II in the aggregate principal amount of HK$43,200,000 to Sina Winner Investment Limited (the "**Placee**"). The Placee is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Chinese Strategic Holdings Limited (stock code: 8089), which together with its subsidiaries, is principally engaged in businesses of properties investments, securities trading and loan financing.

All the tranches of the CB II in the aggregate principal amount of HK$60,750,000 had been placed to not less than six independent placees and the overall completion of the placing has taken place on 17 February 2014.

The CB II is denominated in Hong Kong dollars and does not bear any interest. The CB II entitled the holders to convert them into ordinary shares of the Company at any time between the period commencing from the date of issue of CB II and its maturity date on 31 December 2016 at a conversion price of HK$0.135. If the CB II has not been converted by the maturity date, they will be, at the absolute discretion of the Company, either redeemed by the Company on the maturity date at a redemption amount equal to 100% of the principal amount of such bond, or be converted into ordinary shares of the Company.

The CB II with principal amount HK$13,500,000 has been converted into 100,000,000 ordinary shares of the Company at HK$0.135 on 30 December 2013.

The CB II with principal amount HK$5,400,000 has been converted into 40,000,000 ordinary shares on 11 June 2014.

Convertible bonds with principal amount of HK$1,262,500,010 were issued for acquisition of a subsidiary *(Note 22)*.

21. 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 2014	At 31 December 2013
	HK$'000	*HK$'000*
Within one year	**7,276**	3,985
In the second to fifth years inclusive	**10,726**	6,348
	18,002	10,333

22. BUSINESS COMBINATION

On 13 June 2014 (the "**Acquisition Date**"), the Group completed the acquisition of entire the issued share capital of the Weldtech Technology Co. Limited ("**Weldtech Technology**", together with its subsidiary as the "**Weldtech Group**"), at a total consideration of HK$2,476,000,010 (the "**Acquisition**"), which was satisfied as to (i) HK$43,100,000 by way of cashier orders which included a deposit of HK$10,000,000; (ii) HK$1,262,500,010 by way of issuance of convertible bonds by the Company; (iii) HK$1,034,400,000 by way of issuance of promissory notes by the Company; and (iv) HK$136,000,000 by way of allotment and issuance of 170,000,000 consideration shares at the issue price of HK$0.8 per consideration share (the "**Consideration Shares**") by the Company.

The Weldtech Group is principally engaged in providing energy monitoring and energy saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption and to enhance overall energy efficiency of central air-conditioning system via its proprietary ultra performance plant controller system and other components. The Acquisition allows the Company to diversify into a new line of business with positive prospect.

The following table summarises the total consideration for the Acquisition, the provisional fair value of assets acquired and liabilities assumed as at the Acquisition Date.

	HK$'000
Deposit paid *(note (a))*	10,000
Cash payable *(note (b))*	33,100
Convertible bonds *(note (c))*	1,299,883
Promissory note *(note (d))*	247,295
Contingent consideration payables – current *(note (e))*	62,554
Contingent consideration payables – non-current *(note (e))*	83,405
Consideration Shares *(note (f))*	146,200
Total consideration	1,882,437

	Provisional fair values
	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	1,200
Intangible assets *(note (g))*	889,901
Finance lease receivables	27,465
Inventories	691
Construction in progress	9,193
Trade and bills receivables	865
Prepayment, deposits and other receivables	2,816
Pledged bank deposits	785
Bank balances and cash	12,054
Borrowings	(40,000)
Trade and other payables	(4,685)
Amount due to a shareholder	(17,792)
Deferred tax liabilities	(275,676)
Net identifiable assets acquired	606,817
Goodwill	1,275,620
	1,882,437
Acquisition-related costs (included in administrative expenses in the consolidated income for the six months ended 30 June 2014)	102,050

An analysis of the cash flows in respect of the Acquisition is as follows:

	HK$'000
Cash consideration paid	–
Cash and bank balances acquired (including pledged bank deposit)	12,054
Net inflow of cash and cash equivalents included in cash flows from investing activities	12,054
Transaction costs of the acquisition included in cash flows from operating activities	(52,392)
	(40,338)

Notes:

(a) Deposit paid

A deposit amounted to HK$10,000,000 was paid to CIAM in cash within 14 days upon the execution of the sales and purchase agreement in relation to the Acquisition which was entered among the Group and the vendors of Weldtech Technology on 31 October 2013 (the "**Sales and Purchase Agreement**").

(b) Cash payable

According to the supplemental agreement signed between the Group and the vendors of Weldtech Technology as announced 16 June 2014, it had been agreed that the cash consideration was satisfied by way of cashier orders issued by a licensed bank in Hong Kong from the Company to the vendors of Weldtech Group (a) within 3 months upon completion of the Acquisition; or (b) within 30 days upon completion (including Transfer), termination or cancellation of the FT Placing in accordance with the Placing 2014 *(note 18)*. As at 30 June 2014, the cash consideration of HK$33,100,000 was included in trade and other payables and amount due to a shareholder.

(c) Convertible bonds

According to the Sales and Purchase Agreement, the Company issued the convertibles bonds in the following principal amounts to the vendors as payment of the consideration at Acquisition Date:

	HK$'000
Convertible Bonds A	434,980
Convertible Bonds B	827,520
Face value	1,262,500

The convertible bonds are non-interest bearing for the first three years, followed by 3% interest per annum for the fourth to the remaining years. Convertible Bonds A can be converted commencing from the date of issue at the Acquisition Date while Convertible Bonds B can only be converted commencing from 1 July 2015. The maturity date for both the Convertible Bonds A and Convertible Bonds B fall on the date of 31 December 2023.

The fair value of the liability and equity component of the Convertible Bonds A and Convertible Bonds B were valued by the Directors with reference to a valuation report issued by Grant Sherman Appraisal Limited ("**Grant Sherman**"), an independent valuer. The fair value of the liability component of the Convertible Bonds A and Convertible Bonds B have been calculated by discounting the future cash flows at 16%. The fair value of the equity component of Convertible Bonds A and Convertible Bonds B have been calculated by using binomial option pricing model. The inputs used in the model in determining the fair value were as follow:

Share price	HK$0.86
Conversion price	HK$0.80
Contractual life	9.55 years
Risk-free rate	2.0%
Expected dividend yield	0%
Implied volatility	51.4%

(d) Promissory notes

The promissory notes in aggregate principal sum of HK$1,034,400,000 to the vendors as part payment of the consideration are as follows:

	HK$'000
Promissory Notes A	474,400
Promissory Notes B	240,000
Promissory Notes C	320,000
	1,034,400

All the promissory notes were issued to the vendors upon the Acquisition Date in accordance with the Sale and Purchase Agreement. The promissory notes are unsecured and non-interest bearing. Subject to the lock-up period, after one year from the date of issue, the promissory notes will be freely transferrable in multiples of HK$1,000,000 and will mature on 31 December 2018. The carrying amount of the promissory notes of approximately HK$247,295,000 represents the carrying value of the promissory notes, with a principal amount of approximately HK$474,400,000, carried at its amortised cost and is calculated using the discounted cash flow method at an effective interest rate of 15.4%. 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 Grant Sherman.

The Promissory Notes B and Promissory Notes C in the aggregate amount of HK$560,000,000 are subject to target profit guarantee provided by the vendors under the Sale and Purchase Agreement. If the audited consolidated profit before tax of the Weldtech Group for the year ending 31 December 2014 falls below HK$120,000,000, all of the Promissory Notes B shall become null and void. If the audited consolidated profit before tax of the Weldtech Group for the year ending 31 December 2015 falls below HK$160,000,000, all of the Promissory Notes C shall become null and void.

(e) Contingent consideration payable

An amount of approximately HK$62,554,000 of the contingent consideration payables – current and approximately HK$83,405,000 of contingent consideration payables – non-current represented the fair value of the contingent consideration of Promissory Notes B and Promissory Notes C respectively by using expected cash flow approach performed by Grant Sherman.

Under the expected cash flow approach, different scenarios of future cash flows for an entity are developed using different assumptions about future outcomes. Each scenario is probability weighted, and its cash flows discounted at the risk free rate. The expected value (or fair value) of the asset/liability being appraised is the sum of the probability weighted discounted cash flows of each scenario. Based on the Grant Sherman's analysis, a risk neutral probability of 0.5 is considered as appropriate for deriving the expected cash flows arising from the contingent consideration in each scenario for the two financial years ending 31 December 2014 and 2015.

If the change in risk probability is by 0.1, the impact on the profit or loss would be approximately HK$29,000,000. The higher the risk probability, the higher the fair value the contingent consideration payable.

(f) Consideration Shares

On the Acquisition Date, the Consideration Shares were issued at HK$ 0.80, which was determined after arm's length negotiations between the Company and vendors, with reference to the prevailing trading price of the Consideration Shares during the period of negotiations in October 2013.

(g) Intangible Assets

On the Acquisition Date, the patents of approximately HK$889,901,000 represents the fair value of the patents and is calculated using the relief-from-royalty method at an effective interest rate of 15.7%. The fair value assessment was carried out by Grant Sherman. Under the relief-from-royalty method, an asset is valued based upon the incremental after-tax cash flows 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 earnings of Weldtech Group, equal to the after-tax royalty that would have been paid for use of the patents can be attributed to the patents. The value of the patents depends on the present worth of future after-tax royalties derived from ownership. Indication of value is developed by discounting future after-tax royalties attributable to the patents to the present worth at market-derived rate of return appropriate for the risks of the patents. The effective interest rate was determined by the Capital Asset Pricing Model being carried out by Grant Sherman. Grant Sherman has confirmed that the most appropriate method for valuing the aforesaid patents is the relief-from-royalty method.

(h) Revenue and profit contribution

No revenue contributed by the Weldtech Group to the consolidated income statement since the Acquisition Date. However, the Weldtech Group contributed loss of approximately HK$3,028,000 over the same period. Had the Weldtech Group been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of approximately HK$4,088,000 and loss of approximately HK$153,236,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

During the six months ended 30 June 2014, the Group recorded an unaudited revenue of approximately HK$3.7 million, representing a decrease of 85% as compared with approximately HK$24.9 million for the last corresponding period. An unaudited loss attributable to the owners of the Company of approximately HK$137.2 million (2013: profit of approximately HK$0.6 million) was recorded. Such increase in loss was mainly attributable to the expenses involved in the completion of the very substantial acquisition in relation to the acquisition of Weldtech Technology Co. Limited ("**Weldtech Technology**", together with its subsidiary, the "**Weldtech Group**") during the six months ended 30 June 2014.

The total revenue of approximately HK$3.7 million (2013: approximately HK$24.9 million) was generated from the Group's loan financing business, which contributed a segment profit of approximately HK$1.5 million (2013: approximately HK$17.9 million). Such decrease in profit was mainly attributable to the decrease of interest income on loan receivable during the six months ended 30 June 2014. As at 30 June 2014, the Group held mortgage loans and loan receivables amounted to approximately HK$58.9 million (31 December 2013: approximately HK$28.3 million) and approximately HK$241.8 million (31 December 2013: approximately HK$248.5 million), respectively.

With respect to the treasury investments, a segment loss of approximately HK$20.4 million was recorded for the period under review, as compared with loss of approximately HK$11.3 million for the last corresponding period. Such increase in loss was mainly attributable to the fair value decreased significantly in one of the listed equity securities on financial assets at fair value through profit or loss during the six months ended 30 June 2014. As at 30 June 2014, the Group held available-for-sale investments and financial assets at fair value through profit or loss that amounted to approximately HK$0.3 million and HK$93.4 million (31 December 2013: approximately HK$0.3 million and HK$92.9 million), respectively.

A segment loss of approximately HK$3.0 million recorded for design and provision of energy saving solutions from completion of acquisition of Weldtech Technology on 13 June 2014. As at 30 June 2014, the Group held finance lease receivable amounted to approximately HK$27.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group's bank balances and cash amounted to approximately HK$38.7 million (31 December 2013: approximately HK$4.0 million) and had approximately HK$40.0 million borrowings (31 December 2013: approximately HK$5.0 million), approximately HK$43.0 million non-convertible bonds (31 December 2013: approximately HK$50.0 million) and approximately HK$437.7 million convertible bonds (31 December 2013: HK$4.6 million). The net assets and the net current assets of the Group amounted to approximately HK$1,321.2 million (31 December 2013: approximately HK$323.3 million) and HK$166.8 million (31 December 2013: approximately HK$299 million), respectively.

Gearing ratio of the Group as at 30 June 2014, which was calculated as net debts (as calculated by total borrowings less bank balances and cash) divided by total equity, was 0.36 (31 December 2013: 0.15).

CAPITAL STRUCTURE

As at 30 June 2014, the Company's number of issued ordinary shares was 962,237,066 ("**Share(s)**") (31 December 2013: HK$54,058,546.6 divided into 540,585,466 Shares). Pursuant to the Hong Kong Companies Ordinance (Cap. 622), companies incorporated in Hong Kong no longer have an authorised share capital and there is no concept of par value in respect of issued shares with effect from 3 March 2014.

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 30 June 2014 (31 December 2013: Nil).

FOREIGN CURRENCY EXPOSURE

The Group conducts its business transactions mainly in Hong Kong Dollar and Renminbi. As the Hong Kong Dollar is pegged to the U.S. Dollar, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the appreciation of Renminbi. The Group has not entered into any significant foreign exchange contract. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MATERIAL ACQUISITIONS AND INVESTMENTS

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

The Previous Sale and Purchase Agreement was conditional upon, amongst others, that a placing agreement for the Company's placing of new shares with net proceeds of not less than HK$900,000,000 having become unconditional. The Previous Acquisition was approved by the Shareholders at an extraordinary general meeting of the Company in June 2011. The Company, the Previous Purchaser and the Previous Vendors eventually decided to terminate the Previous Sale and Purchase Agreement in August 2012 for reasons set out in the announcement of the Company dated 24 August 2012.

Notwithstanding the termination of the Company's previous attempt to acquire the Weldtech Group, the Company remained interested in the Weldtech Group as it is optimistic about its growth potential. The Company negotiated with the current shareholders of the Weldtech Group to acquire Weldtech Technology. As part of the business continuity and as a re-launch of the Previous Acquisition, Total Global Holdings Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), CITIC International Assets Management Limited, Ample Richness Investments Limited, Smart Promise Limited, Infinite Soar Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Carbon Reserve Investments Limited and Season Best Investments Limited (as the vendors, collectively the "**Vendors**") and the Company entered into the sale and purchase agreement on 31 October 2013 (the "**Sale and Purchase Agreement**") with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of Weldtech Technology at a total consideration of HK$2,476,000,010 (the "**Consideration**", HK$10,000,000 of the Consideration has been paid by the Purchaser to CITIC International Assets Management Limited (being one of the Vendors) as refundable deposit and form part payment of the Consideration). The Company, as the Purchaser's guarantor, has unconditionally and irrevocably undertaken to procure the due and punctual performance by the Purchaser of all its obligations and commitments under the Sale and Purchase Agreement.

Weldtech Technology holds the entire equity interest in Haoxin Technology (Shanghai) Company Limited (濠信節能科技(上海)有限公司) ("**Haoxin**"), formerly known as 日滔貿易(上海)有限公司, a wholly foreign-owned enterprise established in the People's Republic of China, and is wholly-owned by Weldtech Technology. According to the business licence of Haoxin, the business scope of Haoxin includes, among others, development, consultation and proprietary technology transfer of energy and energy saving technologies; energy performance contracting; design and development of computer softwares, automatic control system, intelligent products on building energy consumption monitoring and proprietary products transfer and related supporting services; wholesale and import and export of mechanical and electrical products as well as "heating ventilation and air-conditioning" ("**HVAC**") equipment. According to the Vendors, Haoxin is principally engaged in providing energy monitoring and energy saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption, and to enhance overall energy efficiency of central air-conditioning system via its proprietary ultra performance plant controller system ("**UPPC System**") and other components. Haoxin is currently actively developing new technology based on the UPPC System so as to broaden the scope of building energy saving solutions, such as the HVAC airside control optimisation, building automation system, real-time system fault detection and more advanced optimisation algorithms.

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

An extraordinary general meeting has been held on 30 April 2014 in which the Acquisition and transactions contemplated thereunder were approved by Shareholders.

On 13 June 2014, the Company, the Purchaser and the Vendors entered into a supplemental agreement to amend certain terms of the Sale and Purchase Agreement in relation to the Acquisition (the "**Supplemental Agreement**").

Pursuant to the Sale and Purchase Agreement, the cash portion of the Consideration (the "**Cash Consideration**"), in the aggregate amount of HK$33,100,000 shall be satisfied by way of cashier orders to the Vendors upon completion of the Acquisition. Upon arm's length negotiations between the parties to the Supplemental Agreement, it has been agreed that the payment terms of the Cash Consideration shall be revised and the Cash Consideration shall be satisfied by way of cashier orders issued by a licensed bank in Hong Kong from the Purchaser to the Vendors (a) within 3 months upon completion of the Acquisition; or (b) within 30 days upon completion (including Transfer), termination or cancellation of the FT Placing in accordance with the Placing Agreement (as defined in the Placing Announcements) (whichever is earlier).

Save for the amendment of the terms in relation to the payment of the Cash Consideration, all terms and conditions of the Sale and Purchase Agreement remain unchanged and continue to be in full force and effect.

All the conditions precedent under the Sale and Purchase Agreement have been fulfilled, and the Acquisition was completed on 13 June 2014. Upon the completion of the Acquisition, the Consideration CBs (as defined in the Placing Announcements), the Promissory Notes and the Consideration Shares (as defined in the VSA Circular) were issued by the Company to the Vendors as the Consideration (other than the Cash Consideration).

Following the completion of the Acquisition on 13 June 2014, Weldtech Technology became an indirect wholly-owned subsidiary of the Company and the results of the Weldtech Group will be consolidated into the financial statements of the Group.

For further details, please refer to the Company's announcements dated 6 December 2013, 30 December 2013, 29 January 2014, 21 February 2014, 24 March 2014, 30 April 2014 and 16 June 2014 and the Company's circular dated 11 April 2014.

FUND RAISING ACTIVITIES

Placing 2013

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

The gross proceeds from the Placing 2013 were approximately HK$60,750,000 and the net proceeds after deducting placing commission and other related expenses were approximately HK$58,400,000. The net proceeds were used as to (i) as to approximately HK$12.4 million for overhead expenses of the Company (of which approximately HK$4.2 million were utilized for staff costs and approximately HK$8.2 million were to be utilized for administrative expenses and legal & professional fees); (ii) as to approximately HK$5.3 million for repayment of outstanding indebtedness; (iii) as to approximately HK$6 million to fund the loan financing business of the Company; (iv) as to approximately HK$10 million for investment in the energy saving sector; and (v) the remaining as to approximately HK$24.7 million (which had not been fully utilized in the above areas) as treasury investments of the Company by investing in securities.

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

Placing 2014

On 27 May 2014, the Company and (i) China Securities (International) Corporate Finance Company Limited; (ii) Pacific Foundation Securities Limited ("**PFS**"); (iii) FTS; (iv) RHB OSK Securities Hong Kong Limited; and (v) Ping An of China Securities (Hong Kong) Company Limited (collectively, the "**Joint Placing Agents**") entered into a placing agreement pursuant to which, the Company has conditionally agreed to place, through the Joint Placing Agents on a best effort basis, up to 397,000,000 placing shares in tranches at the placing price of HK$0.8 per placing share, to not less than six placees who and whose beneficial owners are independent third parties to the Company (the "**Placing 2014**").

The gross proceeds from the Placing 2014 were approximately HK$69,600,000 and the net proceeds after deducting placing commission and other related expenses were approximately HK$65,600,000. The net proceeds were used as to (i) HK$35.6 million for professional fees and expenses in relation to the Acquisition; and (ii) HK$30 million for general working capital of Weldtech Technology Co. Limited, including applying for the roll out of energy management contract projects and its daily operating expenses.

Subscription of New Shares under General Mandate

Pursuant to the stock lending and subscription agreement, which was entered into between the Company, a group of shareholders procured by PFS (the "**Other Vendors**"), and PFS, the Other Vendors conditionally agreed to lend or otherwise make available up to 87,000,000 Shares (the "**PF Placing Shares**") to PFS for the purpose of the placing by PFS, and PFS was authorised to deal with the PF Placing Shares in such manner in the placing by PFS under the Placing 2014 as it deems fit and appropriate. The Other Vendors also undertook to subscribe for up to 87,000,000 Shares as is equivalent to the exact number of PF Placing Shares placed, and the subscription was governed and regulated by the provisions under the stock lending and subscription agreement. The Shares subscribed were issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 21 June 2013.

For further details, please refer to the Company's announcement dated 27 May 2014, 28 May 2014, 6 June 2014 and 16 June 2014.

Subscription of New CB under Specific Mandate

On 27 May 2014, the Company, Sina Winner Investment Limited (a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8089)) (the "**First Vendor**"), and FTS entered into a convertible bonds lending and subscription agreement pursuant to which, the First Vendor has conditionally agreed to lend or otherwise make the existing convertible bonds in the principal amount of HK$41,850,000 which upon full conversion can be converted into 310,000,000 new shares to be allotted and issued by the Company at the conversion price of HK$0.135 per share (the "**CB 2014**") available to FTS at the principal amount of the CB 2014, and FTS may convert the principal amount of the CB 2014 or any part thereof into such number of Shares (the "**CB Lending and Subscription Agreement**") for the purpose of the placing by FTS ("**FT Placing**").

Based on the initial conversion price of HK$0.135 of the new convertible bonds, a maximum number of 310,000,000 new conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the new convertible bonds in full.

This placing has been completed on 4 July 2014, in accordance with the terms and conditions of the placing agreement (as revised and supplemented by the supplemental placing agreement dated 16 June 2014) and the CB Lending and Subscription Agreement. An aggregate of 40,000,000 Shares have been successfully placed by the Joint Placing Agents to LA COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD BANQUE SA and Leightion Deck Limited at the placing price of HK$0.8 per Share.

The gross proceeds from the placing of 40,000,000 Shares were approximately HK$32.0 million. The net proceeds, after deducting the placing commission, the bookrunner and FTS praecipium and other related expenses, were approximately HK$26.6 million. The net proceeds were used as to professional fee and expenses in relation to the Acquisition and general working capital of the Group.

Pursuant to the CB Lending and Subscription Agreement, FTS shall subscribe for the new convertible bonds in such principal amount as is equivalent to the aggregate principal amount of the CB 2014 being converted Shares for the purpose of this placing and the Company shall use its best endeavours to ensure the issuance of such new convertible bonds. In the course of placing, FTS has converted the CB 2014 in the principal amount of HK$40,000,000. Pursuant to the CB Lending and Subscription Agreement, FTS shall subscribe for new convertible bonds in the principal amount of HK$40,000,000 which is to be issued by the Company.

For further details, please refer to the Company's announcements dated 27 May 2014, 28 May 2014, 6 June 2014, 16 June 2014 and 4 July 2014.

STAFF AND REMUNERATION

As at 30 June 2014, the Group had 71 (2013: 14) employees and total staff costs incurred during the period under review amounted to approximately HK$4.6 million (2013: approximately HK$2.69 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 2014 (2013: Nil).

LITIGATION

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

OUTLOOK AND PROSPECT

Our loan financing business, which are mainly mortgage services, continues to generate interest income for the Group during the period ended 30 June 2014. With the view that the interest rate would continue to increase, the Group is optimistic that the loan financing business will generate higher income. While developing its strategy in treasury investment, which may consist of listed securities, treasury products and derivatives investment, the Group will continue exploring and broadening the existing businesses in order to strengthen its competitiveness and provide business growth potential. It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value to the shareholders of the Company. Accordingly, the Company identified the Weldtech Group as an appropriate acquisition target for the Group and believes that the Acquisition allows the Group to diversify into a new line of business with significant growth potential.

Our design and provision of energy saving solution, following the completion of the Acquisition in June 2014, the Group will continue to upgrade UPPC system, which is a software-based energy saving solution and achieves energy saving targets by analyzing real time operation data of each component in the air-conditioning system to calculate the optimal level of each component in the system. In the coming future, the Group will continue to focus on energy management contracts model and expand its operation in first tier cities in China such as Beijing, Shanghai and Shenzhen where population and energy consumption level of commercial and industrial buildings are comparatively higher than those in second and third tier cities. Meanwhile, the management of the Group considers that the existing market share is relatively fragmented and the market share for the Group has significant growth potential. It is expected that the increasing awareness of energy saving and social responsibility will continue to provide ample opportunities for UPPC system retrofit in the near future.

The management expects that the above development plan will be achieved via geographical expansion of the existing business and vertical penetration into the industrial segments where the key customers and corporate accounts are identified. In order to cater for the future business growth, the Group plans to recruit talents in various functions such as sales and marketing, engineering and R&D.

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 2014.

CORPORATE GOVERNANCE

During the period under review, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the following deviations:

CG Code A.2.1 provides that the roles of chairman (the "**Chairman**") and chief executive ("**CE**") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CE should be clearly established and set out in writing. During the period under review, the Company did not appoint a Chairman or CE. The functions of the Chairman and CE 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. Some non-executive Director and independent non-executive Director were unable to attend the annual general meeting of the Company held on 26 June 2014 due to other important business engagement.

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 Directors, 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 2014. 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 2014

As at the date of this announcement, the Board comprises Mr. So Yuen Chun amd Ms. Diana Liu He being executive Directors; Mr. Lam Kwok Hing, Wilfred and Mr. Huang Lizhi being non-executive Directors; and Mr. Yeung Wai Hung, Peter, Ms. Yuen Wai Man and Mrs. Chu Ho Miu Hing being independent non-executive Directors.