

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 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 2015

The board of directors (the “**Board**” or “**Director(s)**”) 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 2015 with the comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>11,924</b>	3,752
Cost of operation		<u>(10,667)</u>	<u>(2,115)</u>
<b>Gross profit</b>		<b>1,257</b>	1,637
Other income	5	<b>1,362</b>	168
Gain on disposal of financial assets at fair value through profit or loss		<b>2,192</b>	5,565
Fair value changes on financial assets at fair value through profit or loss		<b>9,944</b>	(25,621)
Fair value change on contingent consideration payables		<b>(6,520)</b>	–
Loss on disposal of a subsidiary		<b>(80,531)</b>	–
Selling expenses		<b>(2,663)</b>	(869)
Administrative and operating expenses		<u><b>(51,024)</b></u>	<u>(117,208)</u>
<b>Loss from operation</b>		<b>(125,983)</b>	(136,328)
Finance costs	6	<u><b>(50,237)</b></u>	<u>(892)</u>

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Loss before taxation</b>	7	(176,220)	(137,220)
Taxation	8	<u>13,732</u>	<u>–</u>
<b>Loss for the period</b>		<u>(162,488)</u>	<u>(137,220)</u>
<b>Other comprehensive income for the period, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>7</u>	<u>100</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>7</u>	<u>100</u>
<b>Total comprehensive loss for the period</b>		<u>(162,481)</u>	<u>(137,120)</u>
<b>Loss for the period attributable to owners of the Company</b>		<u>(162,488)</u>	<u>(137,220)</u>
<b>Total comprehensive loss attributable to owners of the Company</b>		<u>(162,481)</u>	<u>(137,120)</u>
<b>Loss per share</b>	10		
– Basic, HK cents		<u>(13.16)</u>	<u>(21.85)</u>
– Diluted, HK cents		<u>(13.16)</u>	<u>(21.85)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 30 JUNE 2015*

		<b>30 June 2015</b>	31 December 2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Intangible assets		<b>833,147</b>	860,389
Property, plant and equipment		<b>4,211</b>	4,879
Construction in progress		<b>9,074</b>	10,531
Goodwill		<b>1,275,620</b>	1,275,620
Loan receivables	<i>11</i>	<b>171</b>	30,251
Finance lease receivables		<b>24,180</b>	18,877
		<b>2,146,403</b>	2,200,547
<b>Current assets</b>			
Financial assets at fair value through profit or loss		<b>29,687</b>	24,354
Inventories		<b>823</b>	678
Loan receivables	<i>11</i>	<b>156</b>	171,829
Trade and bills receivables	<i>12</i>	<b>210</b>	1,203
Prepayments, deposits and other receivables		<b>3,297</b>	4,131
Finance lease receivables		<b>10,942</b>	8,863
Amounts due from customers under construction contracts		<b>174</b>	301
Tax recoverable		<b>1,894</b>	1,867
Pledged bank deposits		<b>254</b>	254
Cash and bank balances		<b>90,891</b>	17,512
		<b>138,328</b>	230,992
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>17,387</b>	17,575
Amounts due to shareholders		<b>45,689</b>	52,681
Financial liabilities derivatives		<b>826</b>	–
Borrowings		<b>–</b>	40,000
		<b>63,902</b>	110,256
<b>Net current assets</b>		<b>74,426</b>	120,736
<b>Total assets less current liabilities</b>		<b>2,220,829</b>	2,321,283

	<b>30 June</b> <b>2015</b> <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>		
Non-convertible bonds	<b>40,000</b>	40,000
Convertible bonds	<b>501,160</b>	470,506
Promissory notes	<b>84,201</b>	192,891
Contingent consideration payables	<b>99,623</b>	93,103
Deferred tax liabilities	<b>253,625</b>	265,658
	<u><b>978,609</b></u>	<u>1,062,158</u>
<b>Net assets</b>	<u><b>1,242,220</b></u>	<u>1,259,125</u>
<b>Capital and reserves</b>		
Share capital	<b>843,875</b>	667,298
Reserves	<b>398,345</b>	591,827
<b>Total equity</b>	<u><b>1,242,220</b></u>	<u>1,259,125</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and 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**”).

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014 as contained in the Company’s annual report 2014 (the “**Annual Report 2014**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”).

The unaudited condensed consolidated financial statements are presented in HK dollars (“**HK\$**”), which is the same as the functional currency of the Group. All values are rounded to the nearest thousand, unless otherwise stated. These unaudited condensed consolidated financial statements were approved for issue on 24 August 2015.

The financial information relating to the financial year ended 31 December 2014 that is included in this interim results announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies adopted in the unaudited condensed consolidated financial statements for the six months ended 30 June 2015 are consistent with those followed in the preparation of the Annual Report 2014 except for the impact of the adoption of the new and revised standards, amendments and interpretations (the “**new HKFRSs**”).

In the current period, the Group has applied, for the first time, a number of the new HKFRSs issued by the HKICPA which are effective for the Group’s financial period beginning 1 January 2015. A summary of the new HKFRSs are set out as below:

Amendments to HKFRSs	Annual Improvements 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

## 3. SEGMENT INFORMATION

The Group’s operating and reportable segments are as follows:

- (a) loan financing
- (b) treasury investments
- (c) design and provision of energy saving solutions

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

### Segments revenue and results

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Consolidated	
	For the six months ended 30 June							
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
<b>Turnover</b>								
External sales	<u>927</u>	<u>3,752</u>	<u>-</u>	<u>-</u>	<u>10,997</u>	<u>-</u>	<u>11,924</u>	<u>3,752</u>
<b>Results</b>								
Segment results	<u>(660)</u>	<u>1,528</u>	<u>12,136</u>	<u>(20,484)</u>	<u>(9,611)</u>	<u>(3,028)</u>	<u>1,865</u>	<u>(21,984)</u>
Unallocated corporate expenses							(13,555)	(115,236)
Amortisation of intangible assets							(27,242)	-
Loss on disposal of a subsidiary							(80,531)	-
Fair value change on contingent consideration payables							(6,520)	-
Finance costs							<u>(50,237)</u>	<u>-</u>
Loss before taxation							(176,220)	(137,220)
Taxation							<u>13,732</u>	<u>-</u>
Loss for the period							<u>(162,488)</u>	<u>(137,220)</u>

Revenue reported was generated from external customers. There were no inter-segment sales during the six months ended 30 June 2015 and 2014.

Segment results represent the profit/(loss) by each segment without allocation of centralised administration costs such as certain other revenue, directors' emolument, staff salaries, operating lease payments and certain legal and professional fees. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

### Segment assets and liabilities

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Consolidated	
	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
<b>Assets</b>								
Segment assets	2,927	205,168	29,687	24,354	2,250,433	2,197,997	2,283,047	2,427,519
Unallocated corporate assets							1,684	4,020
							<b>2,284,731</b>	<b>2,431,539</b>
<b>Liabilities</b>								
Segment liabilities	42,297	40,710	-	-	18,517	66,493	60,814	107,203
Unallocated corporate liabilities							981,697	1,065,211
							<b>1,042,511</b>	<b>1,172,414</b>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate financial assets;
- all liabilities are allocated to reportable segments other than corporate financial liabilities, deferred tax liabilities, convertible bonds, promissory notes and contingent consideration payables.

#### 4. REVENUE

Revenue which is also the Group turnover, represents interest income from loan financing, treasury investments and income from design and provision of energy saving and solutions.



An analysis of the Group's revenue by principal activities are as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Loan financing:		
Interest on mortgage loans	–	1,500
Interest on loan receivables	<b>927</b>	2,252
	<u>927</u>	<u>3,752</u>
Design and provision of energy saving solutions:		
Sale of goods	<b>1,914</b>	–
Sale of goods under finance lease	<b>9,083</b>	–
	<u>10,997</u>	<u>–</u>
	<b><u>11,924</u></b>	<b><u>3,752</u></b>

## 5. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>12</b>	–
Interest income on finance lease receivables	<b>1,350</b>	–
Others	–	168
	<u>1,362</u>	<u>168</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on borrowings	2,964	873
Interest expenses on securities trading accounts	–	19
Imputed interest on promissory notes	12,865	–
Imputed interest on convertible bonds	34,408	–
	<u>50,237</u>	<u>892</u>

## 7. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff costs (including Directors' remuneration):		
– Directors' fee	2,433	809
– Salaries, bonus and wages	8,089	2,409
– Contribution to retirement benefits schemes	1,050	78
	<u>11,572</u>	<u>3,296</u>
Amortisation of intangible assets	27,242	–
Cost of inventories sold	9,080	–
Depreciation of property, plant and equipment	678	470
Operating lease payments	3,905	2,068
Share-based payment expenses	139	–
Referral fee for acquisition of a subsidiary	–	86,660
	<u>52,616</u>	<u>92,434</u>

## 8. TAXATION

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Deferred taxation</b>		
Credit for the period	<u>(13,732)</u>	<u>–</u>
	<b><u>(13,732)</u></b>	<b><u>–</u></b>

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits in Hong Kong for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 9. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 10. LOSS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b><u>(162,488)</u></b>	<b><u>(137,220)</u></b>

<b>Six months ended 30 June</b>	
<b>2015</b>	2014
<b>'000</b>	<b>'000</b>
<b>(Unaudited)</b>	(Unaudited)

### Number of shares

Weighted average number of ordinary shares

for the purpose of basic and diluted loss per share

<b>1,234,867</b>	<b>627,872</b>
------------------	----------------

The computation of diluted loss per share for the period ended 30 June 2015 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect.

## 11. LOAN RECEIVABLES

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	(Audited)
Fixed-rate loan receivables	327	30,400
Variable-rate loan receivables	—	200,712
	<b>327</b>	231,112
<i>Less: accumulated impairment allowance</i>	—	(29,032)
	<b>327</b>	<b>202,080</b>
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	(Audited)
Carrying amount analysed for reporting purposes:		
Current assets	156	171,829
Non-current assets	171	30,251
	<b>327</b>	<b>202,080</b>

The maturity profile of the loan receivables at the end of reporting period, analysed by the remaining periods to their contracted maturity is as follow:

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Repayable:		
Within 3 months	<b>38</b>	171,716
Over 3 months but less than 1 year	<b>118</b>	113
Over 1 year but less than 5 years	<b>171</b>	10,251
Over than 5 years	<b>–</b>	20,000
	<b>327</b>	202,080

Movement in the accumulated impairment allowance on loan receivables:

	<i>HK\$'000</i>
At 31 December 2014 and 1 January 2015	29,032
Disposal of a subsidiary during the period	<u>(29,032)</u>
<b>At 30 June 2015</b>	<b><u>–</u></b>

Included in the above accumulated impairment allowance recognised at 31 December 2014 was individually impaired loan receivables with carrying amount of approximately HK\$200,712,000 before impairment which have been in financial difficulties. No accumulated impairment allowance is recognised at 30 June 2015.

## 12. TRADE AND BILLS RECEIVABLES

Included in trade and bills receivables, the ageing analysis of trade receivables is as follows:

	<b>30 June</b> <b>2015</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2014 <i>HK\$'000</i> (Audited)
0 – 90 days	92	1,006
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	<u>118</u>	<u>118</u>
Total trade receivables	<b>210</b>	1,124
Bills receivables	<u>–</u>	<u>79</u>
	<b>210</b>	1,203
	<u><b>210</b></u>	<u>1,203</u>

According to the credit rating of different customers, the Group allows average credit term of 90 days to its customers.

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The impairment loss recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount.

## 13. TRADE AND OTHER PAYABLES

	<b>30 June</b> <b>2015</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2014 <i>HK\$'000</i> (Audited)
Trade payables	3,287	2,416
Accrued service fee for acquisition of a subsidiary	–	3,871
Accrued expenses	5,730	7,258
Receipt in advance	790	447
Interest payables	2,700	2,285
Other payables	<u>4,880</u>	<u>1,298</u>
	<b>17,387</b>	17,575
	<u><b>17,387</b></u>	<u>17,575</u>

An aged analysis of trade payables is as follows:

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	(Audited)
0 to 90 days	<b>2,497</b>	1,585
91 to 180 days	<b>131</b>	214
181 to 365 days	<b>52</b>	–
Over 365 days	<b>607</b>	617
	<hr/> <b>3,287</b> <hr/>	<hr/> 2,416 <hr/>

As at 30 June 2015 and 31 December 2014, the trade payables are interest-free and normally settled on delivery. The average credit period on purchases of goods is 90 days.

## 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 2015, the Group recorded an unaudited revenue of approximately HK\$11,924,000, representing an increase of 217.8% as compared with approximately HK\$3,752,000 for the last corresponding period. An unaudited loss attributable to the owners of the Company of approximately HK\$162,488,000 (2014: loss of approximately HK\$137,220,000) was recorded. Such increase in loss was mainly attributable to an one-off loss of approximately HK\$80,531,000 on disposal of a subsidiary and finance costs of approximately HK\$50,237,000 due to interest amortisation of the convertible bonds and promissory notes issued for the the acquisition of Weldtech Technology Co. Limited (“**Weldtech Technology**”) and its subsidiary, Haoxin Technology (Shanghai) Company Limited (濠信節能科技(上海)有限公司) (“**Haoxin**”), (collectively, the “**Weldtech Group**”) (the “**Acquisition**”).

Of the total revenue, approximately HK\$927,000 (2014: approximately HK\$3,752,000) was generated from the Group’s loan financing business which contributed a segment loss of approximately HK\$660,000 (2014: profit of approximately HK\$1,528,000). Such increase in loss was mainly attributable to decrease of interest income from loan receivables due to the disposal of loans through disposal of a subsidiary during the six months ended 30 Jun 2015.

With respect to the segment of treasury investments, a segment profit of approximately HK\$12,136,000 was recorded for the period under review, as compared to the segment loss of approximately HK\$20,484,000 in last year. Such increase in profit recorded for the treasury investments is mainly attributable to the increase in the share prices of the equity securities held for investments.



With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK\$9,611,000 was recorded for the six months ended 30 June 2015 (2014: approximately HK\$3,028,000). Such increase in the loss is mainly due to the increase of operating expenses of approximately HK\$10,000,000 in 2015. A full six months' operating expenses were recorded during the current period in 2015 as compared to the fact that the operating expenses recorded for the corresponding period in 2014 was for the period from completion of the Acquisition on 13 June to 30 June 2014 only. As at 30 June 2015, the Group held finance lease receivable amounted to approximately HK\$35,122,000.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2015, the Group's bank balances and cash amounted to approximately HK\$90,891,000 (31 December 2014: approximately HK\$17,512,000). The liabilities included approximately HK\$40,000,000 of non-convertible bonds (31 December 2014: approximately HK\$40,000,000) and approximately HK\$501,160,000 of convertible bonds (31 December 2014: approximately HK\$470,506,000). The net assets of the Group amounted to approximately HK\$1,242,220,000 (31 December 2014: approximately HK\$1,259,125,000) and the net current asset of the Group amounted to approximately HK\$74,426,000 (31 December 2014: approximately HK\$120,736,000).

Gearing ratio of the Group as at 30 June 2015, which was calculated as net debts (as calculated by total borrowings less bank balances and cash) divided by total equity, was 0.30 (31 December 2014: 0.38).

## **CAPITAL STRUCTURE**

As at 30 June 2015, the Company's number of issued ordinary shares was 1,499,348,091 ("Share(s)") (31 December 2014: 1,025,749,466 Shares).

## **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 2015 (31 December 2014: 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 fluctuations 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.

## **DISPOSAL OF A SUBSIDIARY**

On 10 June 2015, the Group entered into a sale and purchase agreement to dispose the entire issued share capital of Revelry Gains Limited (“**Revelry Gains**”), to an independent third party for a total cash consideration of HK\$1,000,000 (the “**Disposal**”). Before considering the fair value effect of the promissory notes, the disposed aggregate principal amounts of promissory notes were approximately HK\$203,108,000 which formed part of the liabilities of Revelry Gains. After taken up the fair value effect the carrying amounts of disposed promissory notes were approximately of HK\$121,554,000, and therefore, the Group recorded a loss approximately HK\$80,531,000 as a result of the Disposal. Such loss had no material cash flow effect to the Company during the period ended 30 June 2015. The Disposal was completed on 11 June 2015.

For further details, please refer to the announcement of the Company dated 10 June 2015.

## **MATERIAL ACQUISITION AND INVESTMENTS**

### **Acquisition of entire equity interest in Weldtech Technology**

Total Global Holdings Limited, a wholly-owned subsidiary of the Company (the “**Purchaser**”), CITIC International Assets Management Limited (“**CIAM**”), 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**”), 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 CIAM (being one of the Vendors) as refundable deposit and form part payment of the Consideration).

An extraordinary general meeting was held on 30 April 2014 in which the Acquisition and transactions contemplated thereunder were approved by Shareholders and the Acquisition was completed on 13 June 2014. Upon completion of the Acquisition, convertible bonds A with principal amount of HK\$434,980,000, convertible bonds B with principal amount of HK\$827,520,000, promissory notes (including promissory notes A, B and C) and consideration shares were issued by the Company to the Vendors as the Consideration (other than the Cash Consideration (as defined below)).

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 has been consolidated into the financial statements of the Group.

The Company, the Purchaser and the Vendors entered into a supplemental agreement and a second supplemental agreement on 13 June 2014 and 22 September 2014 respectively to extend the date for settlement of the cash portion of Consideration in an aggregate amount of HK\$33,100,000 (the “**Cash Consideration**”) to within 9 months upon completion of the Acquisition.

On 13 March 2015, the due date for settlement of the Cash Consideration has been further extended to on or before 13 September 2015.

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, 16 June 2014, 11 September 2014, 22 September 2014, 19 November 2014, 13 March 2015 and 27 March 2015 and the Company’s circular dated 11 April 2014.

#### **Purchase of 9.45% equity interest in Infodisc**

On 30 June 2015, the Company entered into a non-legally binding memorandum of understanding with three shareholders who owned an aggregate of approximately 28% (the “**Target Shareholders**”) of Infodisc Technology Co., Ltd. (“**Infodisc**”), a company established in Taiwan with limited liability whose shares are listed on the Taiwan Stock Exchange Corporation, in relation to a possible purchase of certain equity interest in Infodisc (the “**Taiwan MOU**”). Pursuant to the Taiwan MOU, the Company intends to purchase, and the Target Shareholders intend to assist the Company to purchase, certain equity interest in Infodisc.

On 10 August 2015, the Company, as the purchaser, entered into a share purchase agreement with Ms. Chen Bi Chu, a shareholder of Infodisc, as the vendor (the “**Taiwan Vendor**”), pursuant to which the Taiwan Vendor has agreed to sell and the Company has agreed to purchase 6,100,000 shares of Infodisc which represent approximately 9.45% of the entire issued equity interest in Infodisc (the “**Infodisc Share(s)**”) at the consideration of TWD82,200,000 (equivalent to approximately HK\$20,100,000) to be settled in cash.

Infodisc is engaged in the trading business and its customers are located in Taiwan, South-East Asia and Japan. Moreover, it is engaged in the provision of LED lighting solutions. The LED business is undergoing the expansion stage and Infodisc has completed the development of LED products and begun production. The Company’s operations are focused in the PRC and Hong Kong. The Company has identified Infodisc as an ideal platform to expand the Group’s presence to Taiwan. The purchase of Infodisc Shares opens up a new geographical market for the Group’s business, particularly the provision of energy saving solutions. Moreover, the purchase expands the product spectrum of the Group and the Group may leverage on Infodisc’s LED capability to develop the PRC market.

On 14 August 2015, the Company completed the purchase of 9.45% of Infodisc Shares.

For further details, please refer to the announcements of the Company dated 30 June 2015, 10 August 2015 and 14 August 2015.

## **FUND RAISING ACTIVITIES**

### **Top-up Placing and Top-up Subscription**

On 2 June 2015, the Company entered into a placing and subscription agreement with CIAM and Convoy Investment Services Limited (“**Convoy**”) pursuant to which (i) CIAM has agreed to place, through Convoy, on a best-effort basis, an aggregate of up to 100,000,000 Shares held by CIAM (the “**Top-up Placing Share(s)**”), at the placing price of HK\$0.89 per Top-up Placing Share (the “**Top-up Placing**”); and (ii) CIAM has agreed to subscribe for up to 100,000,000 Shares (the “**Top-up Subscription Share(s)**”) at the subscription price of HK\$0.89 per Top-up Subscription Share (the “**Top-up Subscription**”).

The completion of the Top-up Placing took place on 5 June 2015 and an aggregate of 100,000,000 Top-up Placing Shares were successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules) at the placing price of HK\$0.89 per Top-up Placing Share. The Top-up Subscription took place on 15 June 2015 and an aggregate of 100,000,000 Top-up Subscription Shares were allotted and issued to CIAM at the subscription price of HK\$0.89 per Top-up Subscription Share.

The gross proceeds from Top-up Placing were approximately HK\$89,000,000 and the net proceeds after deducting all relevant expenses were approximately HK\$85,500,000. The net proceeds were used (i) as to approximately HK\$76,643,000 for repayment of outstanding indebtedness (including HK\$21,519,000 repayment after the reporting period ended on 30 June 2015) and (ii) as to approximately HK\$8,857,000 for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 3 June 2015 and 15 June 2015.

### **CB Placing 2015**

On 2 June 2015, the Company and Convoy entered into a placing agreement pursuant to which Convoy has conditionally agreed to place, on a best-effort basis, the convertible bonds in the principal amount of up to HK\$60,000,000 (the “**CB 2015**”) to not less than six placees and the Company has conditionally agreed to issue the CB 2015 (the “**CB Placing 2015**”).

The CB 2015 in the aggregate principal amount of HK\$60,000,000 were successfully placed by Convoy to not less than six placees who and whose respective ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The maturity date of CB 2015 shall be on 14 June 2017, which is the second anniversary of the issue date of the CB 2015. The CB 2015 shall bear interest at the rate of 6% per annum on the outstanding principal amount thereof.

Based on the initial conversion price of HK\$0.89 per conversion share, a maximum of 67,415,730 new Shares will be allotted and issued upon exercise of the CB 2015.

The gross proceeds from CB Placing 2015 were approximately HK\$60,000,000 and the net proceeds after deducting all relevant expenses were approximately HK\$57,500,000. The net proceed was used (i) as to approximately HK\$20,100,000 for the acquisition of Infodisc Shares and (ii) as to approximately HK\$37,400,000 for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 3 June 2015 and 15 June 2015.

### **Placing I**

On 21 July 2015, the Company entered into a placing agreement with RHB OSK Securities Hong Kong Limited (“**RHB**”) pursuant to which the Company agreed to place through RHB an aggregate of up to 50,000,000 new Shares at the placing price of HK\$0.89 per placing share (the “**Placing I**”).

Completion of the Placing I took place on 30 July 2015 and a total of 50,000,000 new Shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The gross proceeds from Placing I were approximately HK\$44,500,000 and the net proceeds after deducting all relevant expenses were approximately HK\$42,900,000. The net proceeds were used for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 21 July 2015 and 30 July 2015.

### **Placing II**

On 10 August 2015, the Company entered into a placing agreement with RHB pursuant to which the Company agreed to place through RHB, on a best-effort basis, an aggregate of up to 24,000,000 new Shares, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules), at the placing price of HK\$0.89 per placing share (the “**Placing II**”).

Assuming that all the 24,000,000 new Shares are placed under the Placing II, the gross proceeds and the estimated net proceeds from the Placing II are approximately HK\$21,360,000 (HK\$0.89 per new Share) and approximately HK\$20,550,000 (HK\$0.856 per new Share) respectively.

The Company intends to utilize the net proceeds from the Placing II for possible investments in the future when opportunities arise and/or for general working capital of the Group.

For further details, please refer to the announcement of the Company dated 10 August 2015.

## **STAFF AND REMUNERATION**

As at 30 June 2015, the Group had 52 (2014: 71) employees and total staff costs incurred during the period under review amounted to approximately HK\$11,834,000 (2014: approximately HK\$4,600,000). 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 2015 (2014: 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**

The Company acquired Weldtech in 2014 which is engaged in energy saving solutions business. The energy saving industry is identified as one of the key industries and is backed by the PRC government. The PRC government will continue to commit to reduce per unit of GDP in carbon dioxide emissions and target to cut energy usage intensity by 3.1% according to its 2015 government work report. With the continuous support of the PRC government in the area of energy saving and environment protection and taking full advantage of the government's favorable policies, the management is optimistic about the industry in which the Weldtech Group operates.

The Group is confident about the prospects of the business line and its significant growth potential and will continue to invest in the energy saving segment in 2015 accordingly. The Company will explore the various opportunity of fund raising including equity or debt financing alternatives.

With the acquisition of Infodisc Shares, the Group has added LED products to its product portfolio. It will further expand the Group's presence to Taiwan and cover the Greater China region.

## **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 2015.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2015, 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:

Under code provision A.2.1 of the CG Code, 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.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. A non-executive Director was unable to attend the annual general meeting of the Company held on 26 June 2015 due to other important business engagement.



## **DISCLOSURE OF INFORMATION ON DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information during the six months ended 30 June 2015 on Directors are as follows:

Mr. Lam Kwok Hing, Wilfred was appointed as an executive director, the chairman of the board, the chairman of the investment and management committee and one of the authorized representatives under the Listing Rules, of China New Energy Power Group Limited (stock code: 1041), a company listed on the Main Board of the Stock Exchange, with effect from 16 June 2015 and was re-designated from an executive director to a non-executive director, resigned as a member of the executive committee and ceased to be an authorised representative under the Listing Rules, of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of the Stock Exchange, with effect from 1 July 2015.

## **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 2015. The Audit Committee has approved the unaudited interim financial statements.

By order of the Board  
**The Hong Kong Building and Loan Agency Limited**  
**Diana Liu He**  
*Executive Director*

Hong Kong, 24 August 2015

*As at the date of this announcement, the Board comprises Mr. So Yuen Chun, Ms. Diana Liu He, Dr. Li Ai Guo and Mr. Cai Wen Wei 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.*