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The Hong Kong Building and Loan Agency Limited
香 港 建 屋 貸 款 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Director(s)**") of The Hong Kong Building and Loan Agency Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018 together with the unaudited comparative figures for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**6,387**	4,853
Cost of operation		**(4,701)**	(3,080)
Gross profit		**1,686**	1,773
Other income	*5*	**2,201**	1,147
Other gains and losses	*6*	**–**	220
Selling expenses		**(1,444)**	(1,399)
Administrative and operating expenses		**(37,264)**	(37,061)
Loss from operations		**(34,821)**	(35,320)
Finance costs	*7*	**(61,910)**	(43,631)
Loss before taxation	*8*	**(96,731)**	(78,951)
Taxation	*9*	**12,700**	9,997
Loss for the period		**(84,031)**	(68,954)

	Notes	Six months ended 30 June **2018** ***HK$'000*** **(Unaudited)**	2017 *HK$'000* (Unaudited)
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Gain/(loss) on revaluation of available-for-sale financial assets		**533**	(508)
Exchange differences arising on translation of foreign operations		**2,302**	1,919
Other comprehensive income for the period, net of tax		**2,835**	1,411
Total comprehensive loss for the period, net of tax		**(81,196)**	(67,543)
Loss for the period attributable to owners of the Company		**(84,031)**	(68,954)
Total comprehensive loss for the period attributable to owners of the Company		**(81,196)**	(67,543)
Loss per share	*11*		
– Basic and diluted, HK cents		**(3.64)**	(3.05)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	**30 June 2018** ***HK$'000*** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Non-current assets			
Intangible assets		**669,695**	696,937
Property, plant and equipment		**533**	659
Construction in progress		**42,603**	22,515
Goodwill		**432,403**	432,403
Available-for-sale financial assets		**12,660**	12,127
Trade receivables	*12*	**27,473**	22,400
Finance lease receivables		**35,704**	33,612
		1,221,071	1,220,653
Current assets			
Inventories		**639**	632
Trade and bills receivables	*12*	**28,793**	36,430
Prepayments, deposits and other receivables		**1,946**	991
Finance lease receivables		**10,981**	12,777
Amounts due from customers under construction contracts		**501**	861
Cash and bank balances		**33,091**	57,111
		75,951	108,802
Current liabilities			
Trade and other payables	*13*	**39,689**	25,092
Amounts due to shareholders		**–**	40
Other borrowings		**24,530**	23,965
Promissory notes		**118,593**	110,395
		182,812	159,492
Net current liabilities		**(106,861)**	(50,690)
Total assets less current liabilities		**1,114,210**	1,169,963

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Convertible bonds	**529,151**	491,008
Deferred tax liabilities	**164,436**	177,136
	693,587	668,144
Net assets	**420,623**	501,819
Capital and reserves		
Share capital	**1,344,398**	1,344,398
Reserves	**(923,775)**	(842,579)
Total equity	**420,623**	501,819

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2017 as contained in the Company's annual report 2017, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**").

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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 23 August 2018.

The financial information relating to the financial year ended 31 December 2017 that is included in this interim financial report 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 2017 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 for the year ended 31 December 2017. The auditors' report was unqualified; but include a reference to a matter to which the auditor drew attention by way of emphasis under the heading "Material Uncertainty Related to Going Concern" without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

During the period ended 30 June 2018, the Group incurred a net loss of approximately HK$84,031,000 and net current liabilities of approximately HK$106,861,000 as at 30 June 2018 and; the Group had promissory notes of approximately HK$118,593,000 and other borrowings of approximately HK$24,530,000 which is due within the next twelve months after 30 June 2018. The Directors adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and financial position of the Group.

The Directors have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

(i) Alternative source of funding

The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.

(ii) Negotiation of corporate financing plan

In the early year of 2018, the Group was negotiating the corporate financing plan with an independent potential investor for fund raising and both the Group and potential investor already engaged their financial advisor and related professional parties for due diligence task. However, after exchanging the views of the structure of the fund raising exercise, no further update has been received from the potential investor. Since then, the Company has been negotiating with other investors and institutions to provide further liquidity for the Group.

(iii) Negotiations with creditors

The Group has started negotiations with creditors on measures to improve the financial position of the Group.

In the opinion of the Directors, in light of the various measures/arrangements implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group's financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The adoption of these amendments to HKFRSs has no material impact on the Group's result and financial position for the current or prior periods. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

3. SEGMENT INFORMATION

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

(a) design and provision of energy saving solutions

(b) loan financing

(c) treasury investments

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

Segments revenue and results

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Unallocated		Consolidated	
	For the six months ended 30 June									
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover										
External sales	**–**	–	**–**	–	**6,387**	4,853	**–**	–	**6,387**	4,853
Results										
Segment results	**–**	–	**–**	–	**(30,315)**	(30,710)	**–**	–	**(30,315)**	(30,710)
Unallocated corporate expenses							**(4,506)**	(4,830)	**(4,506)**	(4,830)
Other gains and losses							**–**	220	**–**	220
Finance costs	**–**	–	**–**	–	**(1,508)**	–	**(60,402)**	(43,631)	**(61,910)**	(43,631)
Loss before taxation									**(96,731)**	(78,951)
Taxation									**12,700**	9,997
Loss for the period									**(84,031)**	(68,954)

Revenue reported was generated from external customers. There were no inter-segment sales during the six months ended 30 June 2018 and 2017.

Segment results represent the profit/(loss) by each segment without allocation of other gains and losses, centralised administration costs such as certain directors' emolument, staff salaries, operating lease payments, certain legal and professional fees, finance costs and taxation. 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 2018	31 December 2017	**30 June 2018**	31 December 2017	**30 June 2018**	31 December 2017	**30 June 2018**	31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Assets								
Segment assets	**–**	–	**–**	–	**1,281,933**	1,314,647	**1,281,933**	1,314,647
Unallocated corporate assets							**15,089**	14,808
							1,297,022	1,329,455
Liabilities								
Segment liabilities	**–**	–	**–**	–	**31,019**	29,379	**31,019**	29,379
Unallocated corporate liabilities							**845,380**	798,257
							876,399	827,636

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

- all assets are allocated to reportable segments other than corporate financial assets. Goodwill and intangible assets are allocated to design and provision of energy saving solutions.

- all liabilities are allocated to reportable segments other than corporate financial liabilities, deferred tax liabilities, convertible bonds, promissory notes and financial liabilities derivatives.

4. REVENUE

Revenue represents income from design and provision of energy saving solutions.

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Design and provision of energy saving solutions:		
Sale of goods	**6,101**	4,821
Repair and maintenance service fee income	**286**	32
	6,387	4,853

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**104**	11
Interest income on finance lease receivables	**2,091**	1,102
Others	**6**	34
	2,201	1,147

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Fair value changes on financial liabilities derivatives	**–**	419
Loss on redemption of convertible bonds	**–**	(199)
	–	220

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on other borrowings	**1,508**	–
Imputed interest on promissory notes	**8,198**	7,104
Imputed interest on convertible bonds	**52,204**	36,527
	61,910	43,631

8. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs (including Directors' remuneration):		
– Directors' fee	**830**	1,646
– Salaries, bonus and wages	**4,255**	3,495
– Contribution to retirement benefits schemes	**405**	319
	5,490	5,460
Amortisation of intangible assets	**27,242**	27,242
Depreciation of property, plant and equipment	**144**	237
Cost of inventories sold	**4,701**	3,080
Operating lease payments	**999**	441
Loss on disposal of property, plant and equipment	**–**	94
Exchange loss	**–**	26

9. TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Deferred taxation		
Credit for the period	**(12,700)**	(9,997)

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

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 2018 (six months ended 30 June 2017: Nil).

10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(84,031)**	(68,954)

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,306,502**	2,264,026

The denominators used are the same as those detailed above for basic and diluted loss per share.

Note: The computation of diluted loss per share for the six months ended 30 June 2018 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect. The basic and diluted loss per share are the same for both periods.

12. TRADE AND BILLS RECEIVABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
– with normal credit terms	**22,679**	25,243
– with extended credit terms	**33,587**	33,587
	56,266	58,830
Less: Non-current portion of trade receivables with extended credit terms	**(27,473)**	(22,400)
Current portion of trade receivables	**28,793**	36,430
Bills receivables	**–**	–
	28,793	36,430

The ageing analysis of trade receivables is based on the invoice date as follows:

	Extended Credit terms		**Normal Credit terms**		**Total**	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017	**30 June 2018**	31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
0 – 90 days	**–**	33,587	**2,903**	22,925	**2,903**	56,512
91 – 180 days	**–**	–	**–**	2,082	**–**	2,082
Over 180 days	**33,587**	–	**19,776**	236	**53,363**	236
	33,587	33,587	**22,679**	25,243	**56,266**	58,830

According to the credit rating of different customers, the Group allows average credit term of 90 days to its customers. Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**3,192**	1,278
Accrued service fee for acquisition of a subsidiary	**3,871**	3,871
Accrued expenses	**1,662**	2,410
Receipt in advance	**4**	1,945
Interest payables	**28,238**	14,177
Other payables	**2,722**	1,411
	39,689	25,092

An aged analysis of trade payables, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**802**	713
91 to 180 days	**1,634**	–
181 to 365 days	**300**	78
Over 365 days	**456**	487
	3,192	1,278

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 Hong Kong Building and Loan Agency Limited (the “**Company**”), together with its subsidiaries (collectively, the “**Group**”), are principally engaged in treasury investment, provision of loan financing and design and provision of energy saving solutions.

During the six months ended 30 June 2018, the Group recorded an unaudited revenue of approximately HK$6,387,000, representing an increase of approximately 31.6% as compared with approximately HK$4,853,000 for the last corresponding period. An unaudited loss attributable to the owners of the Company of approximately HK$84,031,000 (2017: loss of approximately HK$68,954,000) was recorded which was mainly attributable to: (i) amortisation of intangible assets of HK$27,242,000 (2017: HK$27,242,000); and (ii) finance costs of approximately HK$60,402,000 (2017: approximately HK$43,631,000) due to interest amortisation of convertible bonds and promissory note; and approximately HK$1,508,000 (2017: Nil) on other borrowings raised for financing the projects of the Group’s operations.

Energy saving solutions business

The Company completed the acquisition of Weldtech Technology Co. Limited and its subsidiary, Haoxin Technology (Shanghai) Company Limited（濠信節能科技（上海）有限公司）(collectively, the “**Weldtech Group**”) (the “**Acquisition**”) on 13 June 2014, which is primarily engaged in design and provision of energy saving solutions business.

With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK$30,315,000 was recorded for the six months ended 30 June 2018 (2017: loss of approximately HK$30,710,000). The segment loss was mainly attributable to the amortisation of intangible assets of approximately HK$27,242,000 (2017: approximately HK$27,242,000). The amortisation of intangible assets is calculated over the useful life of 7 patents for “Ultra Performance Plant Control System” (“**UPPC System**”) held under Weldtech Group. Before deducting the amortisation of intangible assets, Weldtech Group has generated a segment loss of approximately HK$3,073,000 (2017: segment loss of approximately HK$3,468,000) to the Group.

Loan financing and treasury investments businesses

With respect to the segment of loan financing and treasury investments businesses, the Company is in the process of locating opportunities in both the loan financing and treasury investments segments. However, there is no desirable opportunity raised and found fit to the Company. The Company will continue to explore the business opportunities in the market for the development of the Group's business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's cash and bank balances amounted to approximately HK$33,091,000 (31 December 2017: approximately HK$57,111,000), and it had outstanding convertible bonds of approximately HK$529,151,000 (31 December 2017: approximately HK$491,008,000) and promissory notes of approximately HK$118,593,000 (31 December 2017: approximately HK$110,395,000). The net assets of the Group amounted to approximately HK$420,623,000 (31 December 2017: approximately HK$501,819,000).

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately HK$106,861,000; and the Group had promissory notes of approximately HK$118,593,000 and other borrowings of approximately HK$24,530,000 which is due within the next twelve months after 30 June 2018. As explained in note 1 to this announcement, the interim financial report has been prepared on a going concern basis. The interim financial report does not include any adjustments that would result should the Group be unable to operate as a going concern.

The gearing ratio of the Group as at 30 June 2018, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 0.60 (31 December 2017: 0.53).

As at 30 June 2018, the Group's other borrowings of approximately HK$24,530,000 (31 December 2017: HK$23,965,000) were secured by corporate guarantees granted by the Company.

CAPITAL STRUCTURE

As at 30 June 2018, the Company's number of issued ordinary shares was 2,306,502,816 ("**Share(s)**") (as at 31 December 2017: 2,306,502,816 Shares).

As at 30 June 2018, the Company had principal amount of HK$305,545,700 convertible bond A (the "**CB A**") outstanding which could be converted into 381,932,124 Shares at the conversion price of HK$0.80 per share. During the six months ended 30 June 2018, no new Shares were issued from the conversion of CB A.

As at 30 June 2018, the Company had principal amount of HK$639,612,430 convertible bond B (the "**CB B**") outstanding which could be converted into 799,515,538 Shares at the conversion price of HK$0.80 per share. During the six months ended 30 June 2018, no new Shares were issued from the conversion of CB B.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any charges on its assets (31 December 2017: Nil) and did not have any material contingent liabilities (31 December 2017: Nil).

CAPITAL COMMITMENT

As at 30 June 2018, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK$9,207,000 (31 December 2017: approximately HK$23,471,000).

FOREIGN CURRENCY EXPOSURE

The Group conducts its business transactions mainly in the PRC and Hong Kong. The Group's assets were mainly denominated in Renminbi ("**RMB**") and Hong Kong Dollars ("**HK$**"). HK$ is the Group's presentation currency. During the year, the revenue, cost of operations and operating expenses of the Group are mainly denominated in RMB. Therefore, the Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB against HK$. The Group has not entered into any significant foreign exchange contract. Management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

Save as disclosed elsewhere in this announcement, there were no material investments, acquisitions or disposals of subsidiaries during the six months ended 30 June 2018.

STAFF AND REMUNERATION

As at 30 June 2018, the Group had 36 (2017: 43) employees and total staff costs incurred during the period under review amounted to approximately HK$5,490,000 (2017: approximately HK$5,460,000). 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 2018 (2017: Nil).

LITIGATION

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

OUTLOOK AND PROSPECT

Regarding the energy saving solutions business, the Group is facing intensified competition in the energy saving industry during the period ended 30 June 2018, particularly for small and medium-sized projects.

Due to the increasing awareness of the energy saving, social responsibility and also the determination to reduce carbon emission, the energy saving and environmental protection remain the key focus of the PRC government. Several scheduled projects are ongoing, either in implementation or construction stage. These projects are expected to complete and recognise as revenue in later years, subject to the progress.

The Weldtech Group will try to target potential customers for buyout projects to improve cashflow of the Weldtech Group with shorter turnover days, while enhancing the portfolio of the Company's energy saving solutions to maximise the potential of our customers on top of the existing UPPC System and air conditioning solutions.

Furthermore, the Group has been reviewing its existing operations from time to time and will continue to seek for different investment opportunities with appropriate risk and return profile. The Group will continue to explore various funding sources including project financing, debt financing and/or equity fund raising to finance the development of the Group's businesses.

EVENTS AFTER REPORTING PERIOD

Disposal of available-for-sale financial assets

On 25 July 2018, Pride Motto Limited ("**Pride Motto**"), wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the purchaser, independent third parties of the Group, pursuant to which Pride Motto agreed to sell and the purchaser agreed to acquire 450,000 shares of CIAM Capital Management Limited ("**CIAMC**") which represent approximately 9% of the entire issued equity interest in CIAMC at the consideration of approximately HK$835,000. The completion of such disposal took place on 8 August 2018.

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 2018.

CORPORATE GOVERNANCE

During the six months ended 30 June 2018 and up to date of this announcement, 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 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. Certain Directors were unable to attend the annual general meeting of the Company held on 25 May 2018 due to other important business engagement.

Under code provision F.1.2 of the CG Code, a board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. The appointment of Ms. Lai Wai Ha ("**Ms. Lai**"), delegated by an external service provider, as the company secretary of the Company following the resignation of Mr. Pak Wai Keung Martin effective on 1 August 2018 was passed by a written resolution of the Board due to the tight schedule of the Directors. Ms. Lai's primary corporate contact is Mr. Chong Kok Leong, the executive Director.

According to rules 3.10(1) and 3.21 of the Listing Rules, the Company was required to appoint at least three independent non-executive directors and to comprise a minimum number of three members of the audit committee. Following the resignation of Mr. Yeung Wai Hung, Peter as independent non-executive Director, effective from 2 June 2018, the numbers of independent non-executive Directors and the members of the audit committee of the Company were less than three as required under rules 3.10(1) and 3.21 of the Listing Rules. The Company had fully complied with the aforesaid rules subsequent to the appointment of Mr. Ng Kay Kwok as an independent non-executive director, the chairman of audit committee and members of remuneration and nomination committees of the Company with effect from 15 August 2018.

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 2018 on Directors are as follows:

Mr. Choy Hiu Fai, Eric, the independent non-executive Director, was appointed as independent non-executive director of Wing Fung Group Asia Limited (stock code: 8526), a company listed on GEM of the Stock Exchange, on 31 January 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to 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 2018. The Audit Committee has approved the unaudited interim financial statements.

By order of the Board
The Hong Kong Building and Loan Agency Limited
Chong Kok Leong
Executive Director

Hong Kong, 23 August 2018

As at the date of this announcement, the Board comprises Dr. Li Ai Guo, Mr. Chong Kok Leong and Mr. Zhuang Miaozhong being the executive Directors; and Mr. Choy Hiu Fai, Eric, Mr. Huang Lizhi and Mr. Ng Kay Kwok being the independent non-executive Directors.