



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

(Stock Code: 145)



2013
INTERIM REPORT

CONTENTS

	<i>Page</i>
Corporate Information	2
Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Cash Flows Statement	6
Notes to the Condensed Consolidated Financial Information	7
Management Discussion and Analysis	23
Disclosure of Additional Information	26

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. So Yuen Chun

Mr. Yeung Kwok Leung

Non-executive Director

Mr. Lam Kwok Hing, Wilfred

Independent Non-executive Directors

Ms. Yuen Wai Man

Mr. Yeung Wai Hung, Peter

Mr. Lam Raymond Shiu Cheung

AUDIT COMMITTEE

Ms. Yuen Wai Man (*Chairman*)

Mr. Lam Kwok Hing, Wilfred

Mr. Yeung Wai Hung, Peter

Mr. Lam Raymond Shiu Cheung

NOMINATION COMMITTEE

Ms. Yuen Wai Man (*Chairman*)

Mr. Lam Kwok Hing, Wilfred

Mr. Yeung Wai Hung, Peter

Mr. Lam Raymond Shiu Cheung

REMUNERATION COMMITTEE

Ms. Yuen Wai Man (*Chairman*)

Mr. Lam Kwok Hing, Wilfred

Mr. Yeung Wai Hung, Peter

Mr. Lam Raymond Shiu Cheung

AUDITOR

ZHONGLEI (HK) CPA Company Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Public Bank (Hong Kong) Limited

SOLICITORS

Kennedys

WT Law Offices

SHARE REGISTRAR

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

Unit F, 7/F

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

STOCK CODE

145

WEBSITE

<http://www.hkbla.com.hk>

COMPANY SECRETARY

Mr. So Yuen Chun

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 2013 with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	4	24,877	20,228
Interest income		24,877	20,228
Interest expense	6	(2,532)	–
Net interest income		22,345	20,228
Fair value changes on financial assets at fair value through profit or loss		(14,772)	(3,374)
Gain on disposal of financial assets at fair value through profit or loss		3,764	3,289
Other income		2	1
Operating expenses		(9,511)	(49,395)
Finance costs	6	(266)	(3)
Profit/(loss) before tax		1,562	(29,254)
Income tax expense	5	(938)	(1,028)
Profit/(loss) for the period		624	(30,282)
Other comprehensive (expense)/income Items that may be subsequently reclassified to profit or loss:			
Fair value changes on available-for-sale investments		(1,449)	3,200
Total comprehensive expense for the period		(825)	(27,082)
Profit/(loss) for the period attributable to the owners of the Company		624	(30,282)
Total comprehensive expense attributable to the owners of the Company		(825)	(27,082)
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Earnings/(loss) per share	8		
Basic		0.14	(7.00)
Diluted		0.12	(7.00)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

		At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Equipment		32	51
Mortgage loans	9	7,037	7,419
Loan receivables	10	64,765	40,500
Available-for-sale investments	11	1,708	3,157
		73,542	51,127
CURRENT ASSETS			
Mortgage loans	9	23,740	25,662
Financial assets at fair value through profit or loss	12	70,110	13,981
Loan receivables	10	219,392	280,992
Prepayments, deposits and other receivables	13	79,724	72,148
Tax recoverable		–	903
Bank balances		4,953	8,347
		397,919	402,033
CURRENT LIABILITIES			
Other payables and accruals	14	14,113	17,722
Tax payable		35	–
Borrowings	15	7,700	5,000
		21,848	22,722
NET CURRENT ASSETS		376,071	379,311
NON-CURRENT LIABILITY			
Non-convertible bonds	16	50,000	30,000
NET ASSETS		399,613	400,438
CAPITAL AND RESERVES			
Share capital	17	43,515	43,515
Reserves		356,098	356,923
		399,613	400,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Share capital <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Convertible bond reserve <i>HK\$'000</i>	Convertible bond option <i>HK\$'000</i>	Warrants <i>HK\$'000</i>	Investments revaluation reserve <i>HK\$'000</i>	(Accumulated loss)/ Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012	435,149	-	-	54,119	169	-	5,520	-	(122,354)	372,603
Change in equity for the six months ended 30 June 2012:										
Loss for the period	-	-	-	-	-	-	-	-	(30,282)	(30,282)
Fair value changes of available for sale investments	-	-	-	-	-	-	-	3,200	-	3,200
Deferred tax relating to fair value change to on available-for-sales investments	-	-	-	-	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	-	-	-	3,200	(30,282)	(27,082)
Cancellation of warrants upon expired	-	-	-	-	-	-	(5,520)	-	5,520	-
At 30 June 2012	435,149	-	-	54,119	169	-	-	3,200	(147,116)	345,521
At 1 January 2013	43,515	1,881	270,186	54,119	-	13,947	-	1,761	15,029	400,438
Change in equity for the six months ended 30 June 2013:										
Profit for the period	-	-	-	-	-	-	-	-	624	624
Fair value changes of available for sale investments	-	-	-	-	-	-	-	(1,449)	-	(1,449)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(1,449)	624	(825)
At 30 JUNE 2013	43,515	1,881	270,186	54,119	-	13,947	-	312	15,653	399,613

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	<i>Note</i>	Six months ended 30 June	
		2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Net cash flow used in operating activities		(26,094)	(13,698)
Cash flow generated from investing activities			
Net proceeds from sales of available-for-sale investments		–	317
Net cash generated from investing activities		–	317
Cash generated from financing activities			
Proceed from issue of non-convertible bonds		20,000	–
Proceed from issue of new loan		2,700	–
Net cash flow generated from financing activities		22,700	–
Net change in cash and cash equivalents		(3,394)	(13,381)
Cash and cash equivalents at 1 January		8,347	17,994
Cash and cash equivalents at 30 June, represented by Bank balances		4,953	4,613

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 13	Fair value measurement

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

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013		
	Loan financing <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	24,877	–	24,877
Segment profit/(loss)	17,883	(11,339)	6,544
Central administration costs			(4,982)
Profit before tax			1,562
	Six months ended 30 June 2012		
	Loan financing <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	20,222	6	20,228
Segment loss	(22,191)	(114)	(22,305)
Central administration costs			(6,949)
Loss before tax			(29,254)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

4. REVENUE

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

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Loan financing:		
Interest on mortgage loans	1,668	1,604
Interest on loan receivables	23,209	18,618
Treasury investments:		
Interest on bank deposits	–	6
	24,877	20,228

5. TAXATION

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong		
– Current tax	938	1,028
Income tax expense for the period	938	1,028

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

6. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest expenses on non-convertible bonds	2,532	–
Finance costs		
Interest expenses on borrowing	248	–
Interest expenses on securities trading accounts	18	3
	266	3
(b) Other items:		
Depreciation	19	52
Reversal of impairment loss in respect of interest receivables	(70)	–
Impairment allowance on mortgage loans charged	–	4
Impairment loss recognised in respect of loan receivables	–	35,000
Impairment loss recognised in respect of interest receivables	–	2,763

7. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2013, nor has any dividend been declared since the end of reporting date (2012: Nil).

8. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to equity shareholders of the Company	624	(30,282)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

8. EARNINGS/(LOSS) PER SHARE *(continued)*

	Six months ended 30 June	
	2013	2012
	Shares '000	Shares '000 (Restated)
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	435,149	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 earnings/(loss) per share	518,746	435,149

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

9. MORTGAGE LOANS

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Fixed-rate loans receivable	30,777	32,679
Variable-rate loans receivable	–	402
	30,777	33,081
Carrying amount analysed for reporting purposes:		
– Current assets (receivable within 12 months from the reporting date)	23,740	25,662
– Non-current assets (receivable after 12 months from the reporting date)	7,037	7,419
	30,777	33,081

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

9. MORTGAGE LOANS *(continued)*

Fixed-rate loans receivable and variable-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 2013 (31 December 2012: 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 2013 HK\$'000	At 31 December 2012 HK\$'000
Repayable:		
Within 3 months	7,530	645
Between 3 months and 1 year	16,210	25,017
Between 1 and 5 years	7,037	7,419
	30,777	33,081

10. LOAN RECEIVABLES

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Fixed-rate loan receivables	84,445	121,780
Variable-rate loan receivables	200,712	200,712
	285,157	322,492
<i>Less:</i> impairment allowance on fixed-rate loan receivables	(1,000)	(1,000)
	284,157	321,492
Carrying amount analysed for reporting purposes		
– Current assets (receivable within 12 months from the reporting date)	219,392	280,992
– Non-current assets (receivable after 12 months from the reporting date)	64,765	40,500
	284,157	321,492

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

10. LOAN RECEIVABLES *(continued)*

- (i) The loan receivables outstanding at 30 June 2013 and 31 December 2012 are denominated in Hong Kong dollars.
- (ii) At 31 December 2012, a loan receivable amounting to HK\$60,000,000, carried fixed interest rate at 9% per annum and was secured by a convertible bond issued by a listed entity in Hong Kong. The loan was expired on 1 August 2012 and The Building and Loan Agency (Asia) Limited ("The BLA (Asia)"), a wholly owned subsidiary of the Company, as the lender filed a writ in the High Court of Hong Kong on 27 September 2012 against the borrower for default on full repayment of the loan in the principal amount of approximately HK\$60,000,000 together with interest accrued thereon (collectively, the "Writ"). The loan was fully repaid through the realisation of the secured convertible bond during the period.
- (iii) A loan receivable amounting to approximately HK\$200,712,000 (31 December 2012: HK\$200,712,000) is secured by a floating charge on the entire assets (mainly included a residential property located in Hong Kong) of the guarantor. The loan bore variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited.

The loan borrower and/or the guarantor failed to repay all or part of the Loan upon demand in the year of 2011, the floating charge crystallised and converted into a fixed charge (the "Charge") over the whole of the borrower's and/or the guarantor's property, undertaking, rights, income and assets, including, but not limited to the residential property (the "Charged Property") located in Hong Kong which is owned by the guarantor and which was registered in the Land Registry on 29 February 2012. On 14 March 2012, The BLA (Asia) (the "Lender") filed a winding-up petition in the High Court of Hong Kong against the guarantor for default on full repayment of the Loan in the principal amount of approximately HK\$200,712,000 together with interest accrued thereon (collectively, the "Petition"). On 9 July 2012, the Petition was subsequently dismissed upon the application of The BLA (Asia). The Directors are of the opinion that the Group will enter a receivership on the Charged Property in order to recover the Loan (the "Proposed Receivership").

Taking into account of the legal letter dated 21 February 2013 issued by an independent professional solicitor, which stated that the Charge will have probably priority over any other charge registered with the Land Registry after 24 February 2012, the date of a signed certificate deemed the Charge to be effective. Therefore, a charge created but not yet registered with Land Registry by another creditor of the guarantor, Fameway Finance Limited ("Fameway"), on 9 September 2010 over the Charged Property probably ranks below the Charge. On 1 March 2013, The BLA (Asia) assigned its rights under the loan agreement dated 26 January 2011 and the Charge to Revelry Gains Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

10. LOAN RECEIVABLES *(continued)*

(iii) *(continued)*

According to the valuation report dated 13 March 2013 (the "Valuation Report") issued by an independent professional valuer, Malcolm & Associates Appraisal Limited, the fair value of the Charged Property as at 31 December 2012 is HK\$430,000,000. With regard to the Proposed Receivership, the fair value of the Charged Property would be discounted to a range of HK\$360,000,000 forced sale value as stated in the Valuation Report. As at 30 June 2013, the Directors are of the opinion that the fair value of the Charged Property exceeded the carrying values of the principal amount of the Loan. Accordingly, no impairment allowance is considered necessary.

- (iv) A loan receivable amounting to HK\$2,000,000 (31 December 2012: HK\$2,000,000) carries fixed interest rate of 8% and is secured by certain ordinary shares of a company incorporated in Hong Kong, which is also the security of a loan borrowed by existing borrower amounting to HK\$2,680,000 with interest at 10% per annum.
- (v) A loan receivable amounting to HK\$10,000,000 (31 December 2012: HK\$10,000,000) is secured by a bond issued by a listed entity in Hong Kong and carries fixed interest rate of 12.25% per annum in first and second years and 6% per annum for the remaining period. The principal would be repayable on 5 December 2019.
- (vi) The loan receivables amounting to HK\$50,000,000 (31 December 2012: HK\$30,000,000) are secured by corporate guarantees provided by companies incorporated in the People's Republic of China (the "PRC") and carries fixed interest rate of 20.5% per annum in first year and 8% per annum for the remaining period. The principals of the loan receivables of HK\$10,000,000, HK\$10,000,000, HK\$10,000,000, HK\$10,000,000 and HK\$10,000,000 would be repayable on 9 Feb 2020, 16 Mar 2020, 12 May 2020, 17 May 2020 and 4 June 2020 respectively.
- (vii) A loan receivable amounting to HK\$8,700,000 (31 December 2012: HK\$10,000,000) is secured by a corporate guarantee issued by a listed entity in Hong Kong and carries interest at the rate of 9% per annum.
- (viii) A loan receivable amounting to HK\$3,000,000 (31 December 2012: Nil) is secured by a corporate guarantee issued by a listed entity in Hong Kong and carries interest at the rate of 10% per annum.

As at 30 June 2013, the remaining loan receivables approximately amounting to HK\$8,100,000 (31 December 2012: HK\$6,000,000) are unsecured and carry fixed interest rates at a range from 9% to 20% (2012: 9% to 20%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

10. LOAN RECEIVABLES *(continued)*

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

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Overdue	202,712	262,712
Between 3 months and 1 year	16,680	18,280
Between 1 and 5 years	4,765	500
Over 5 years	60,000	40,000
	284,157	321,492

Included in the carrying amount of the fixed-rate loan receivables of HK\$6,300,000 as at 30 June 2013 (31 December 2012: HK\$5,600,000) is unsecured loan borrowed by a listed entity in Hong Kong.

Movement in the accumulated impairment allowance on loan receivables:

	<i>HK\$'000</i>
Impairment allowance movement	
At 1 January 2012	1,000
Charge during the year 2012	1,000
Reverse during the year 2012	(1,000)
At 31 December 2012 and 30 June 2013	1,000

Included in the above impairment loss recognised at 30 June 2013 was individually impaired loan receivable with a carrying amount of approximately HK\$1,165,000 (31 December 2012: HK\$1,000,000) before impairment.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

11. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Equity securities listed in Hong Kong	1,449	2,898
Unlisted equity securities, at cost	500	500
Less: impairment recognised during the period	(241)	(241)
Equity securities in Hong Kong, net	259	259
	1,708	3,157

The equity securities listed in Hong Kong represent the fair value of an equity investment in 1.41% (31 December 2012: 1.41%) of total outstanding issued shares of a listed entity at the end of the reporting period. The fair value as at 30 June 2013 amounting to approximately HK\$1,449,000 was determined based on the quoted market bid prices available on the Stock Exchange.

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 2013 HK\$'000	At 31 December 2012 HK\$'000
Held-for-trading investments:		
Equity securities listed in Hong Kong	70,110	13,981

At 30 June 2013 and 31 December 2012, the fair value of the listed equity securities was determined based on the quoted market bid prices available on the Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Interest receivable	78,578	68,240
Prepayments	535	640
Receivables from securities brokers	261	29
Receivable from disposal of a subsidiary	9,200	9,200
Others	350	3,309
	88,924	81,418
Less: Impairment allowance	(9,200)	(9,270)
	79,724	72,148

As at 30 June 2013 and 31 December 2012, 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 2012	2,248	9,200	11,448
Charge during the year 2012	70	–	70
Reverse during the year 2012	(2,248)	–	(2,248)
	70	9,200	9,270
At 31 December 2012	70	9,200	9,270
Reverse during the period	(70)	–	(70)
	–	9,200	9,200
At 30 June 2013	–	9,200	9,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

14. OTHER PAYABLES AND ACCRUALS

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Accrued service fees for acquisition of a subsidiary	5,870	5,870
Accrued expenses	3,685	4,656
Receipt in advance	620	3,615
Interest payables	3,257	478
Other payables	681	3,103
	14,113	17,722

15. BORROWINGS

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Borrowings due within one year	7,700	5,000

A borrowing amounting to HK\$5,000,000 (31 December 2012: HK\$5,000,000) is an interest-bearing loan at 10% per annum, unsecured and repayable in full on 1 August 2013. The loan of HK\$5,000,000 has been extended one year further on the maturity date. Borrowings amounting to HK\$2,700,000 (31 December 2012: Nil) is an interest-bearing at 10% secured by shares issued by a listed entity in Hong Kong and repayable in full on 27 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

16. NON-CONVERTIBLE BONDS

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Bond payables	50,000	30,000

During the period ended 30 June 2013, the Company issued non-convertible bonds with a principal amount of HK\$50,000,000 to five bond holders (31 December 2012: HK\$30,000,000 to three bond holders). The principal terms of the non-convertible bonds are as follows:

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

17. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of par value HK\$0.1 each		
Authorised:		
As at 1 January 2012	30,000,000,000	3,000,000
Share consolidation (<i>note a</i>)	(27,000,000,000)	(2,700,000)
As at 1 January and 30 June 2013	3,000,000,000	300,000
Issued and fully paid:		
As at 1 January 2012	4,351,488,667	435,149
Share consolidation (<i>note a</i>)	(3,916,339,801)	(391,634)
As at 1 January and 30 June 2013	435,148,866	43,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

17. SHARE CAPITAL *(continued)*

Note:

- (a) Pursuant to an extraordinary general meeting of the Company held on 21 June 2012, the shareholders of the Company approved the cancellation of HK\$0.09 of the paid up capital on each issued share of HK\$0.10, the reduction of the par value of all the issued and unissued shares from HK\$0.10 to HK\$0.01 each (the "Reduced Shares") (the "Capital Reduction") and the consolidation of every 10 Reduced Shares into 1 ordinary share of HK\$0.10 each (the "Capital Reorganisation"). On 17 December 2012, the Court of First Instance of the High Court of Hong Kong granted an order to confirm the Capital Reorganisation with effect on 19 December 2012. The credit arising from the Capital Reduction would be utilised to set off the accumulated losses of the Company and any excessive balance would be credited to the share capital reserve. Details of the Capital Reduction are set out in a circular of the Company dated 29 May 2012, announcements dated 21 June 2012 and 18 December 2012 respectively.

18. 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.

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 <i>(Note)</i>
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

18. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS *(continued)*

The principal terms of the convertible bonds are as follows:

Principal amount of each bond	HK\$156,600
Coupon rate	10% per annum, payable annually in arrears
Conversion price	Before Capital Reorganisation, the conversion price is the higher of HK\$0.018 or the par value of the shares of the Company; after Capital Reorganisation, the conversion price is the higher of HK\$0.18 or the par value of the shares of the Company

During the period and up to the maturity date, the convertible bond holders shall be able to convert in their entirety or any part of the outstanding principal amount of the convertible bonds. The Company may, on the maturity date, at its absolute discretion, redeem all convertible bonds which have not been redeemed or converted by maturity date at 100% of their principal amount or convert into the shares. The convertible bonds are denominated in Hong Kong dollars and will mature on 31 December 2015. The Directors consider the convertible bonds as equity instruments of the Company based on the substance of the contractual terms and the definition of a financial liability and an equity instrument.

During the period under review, no option was exercised by the convertible bond option holders and no convertible bond was issued by the Company.

19. 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 2013 HK\$'000	At 31 December 2012 HK\$'000
Within one year	173	861
	173	861

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

20. FAIR VALUE MEASUREMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

	Level 1	
	At	At
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss		
– Equity securities listed in Hong Kong	70,110	13,981
Available-for-sale investments		
– Equity securities listed in Hong Kong	1,449	2,898
Total	71,559	16,879

There were no transfers between 3 levels during the six months ended 30 June 2013.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the six months ended 30 June 2013, the Group recorded an unaudited revenue of approximately HK\$24.9 million, representing an increase of 23.0% as compared with approximately HK\$20.2 million for the last corresponding period. An unaudited profit attributable to the owners of the Company of approximately HK\$624,000 (2012: loss of approximately HK\$30.3 million) was recorded. Such decrease in loss was mainly attributable to the decrease of impairment loss recognised in respect of loan receivables and interest receivables during the six months ended 30 June 2013.

The total revenue of approximately HK\$24.9 million (2012: approximately HK\$20.2 million) was generated from the Group's loan financing business, which contributed a segment profit of approximately HK\$17.9 million (2012: loss of approximately HK\$22.2 million). Such decrease in loss was mainly attributable to the decrease of impairment loss recognised in respect of loan receivables and interest receivables during the six months ended 30 June 2013. As at 30 June 2013, the Group held mortgage loans and loan receivables amounted to approximately HK\$30.8 million (31 December 2012: approximately HK\$33.1 million) and approximately HK\$284.2 million (31 December 2012: approximately HK\$321.5 million), respectively.

With respect to the treasury investments, a segment loss of approximately HK\$11.3 million was recorded for the period under review, as compared with loss of approximately HK\$114,000 for the last corresponding period. As at 30 June 2013, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounted to approximately HK\$1.7 million and HK\$70.1 million (31 December 2012: approximately HK\$3.2 million and HK\$14.0 million), respectively. 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 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group's bank balances amounted to approximately HK\$5.0 million (31 December 2012: approximately HK\$8.3 million) and had approximately HK\$7.7 million borrowings (31 December 2012: approximately HK\$5.0 million) and approximately HK\$50.0 million non-convertible bonds (31 December 2012: approximately HK\$30.0 million). The net assets and the net current assets of the Group amounted to approximately HK\$399.6 million (31 December 2012: approximately HK\$400.4 million) and HK\$376.1 million (31 December 2012: approximately HK\$379.3 million), respectively.

Gearing ratio of the Group as at 30 June 2013, which was calculated as net debts (as calculated by total borrowings less bank balances) divided by total equity, was 0.13 (31 December 2012: 0.07).

CAPITAL STRUCTURE

As at 30 June 2013, the Company's issued ordinary share capital was HK\$43,514,886.6 divided into 435,148,866 shares of HK\$0.1 each ("**Share(s)**") (31 December 2012: HK\$43,514,886.6 divided into 435,148,866 Shares).

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2013, certain assets with fair value of approximately HK\$3.5 million through investment in a listed entity in Hong Kong was pledged to a lender to secure a HK\$2.7 million borrowing granted to the Group during the six months ended 30 June 2013. No repayment have been made during the period.

FOREIGN CURRENCY EXPOSURE

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

MATERIAL ACQUISITIONS AND INVESTMENTS

During the six months ended 30 June 2013, the Group did not have any significant investments, acquisitions or disposal of subsidiaries.

The Group will continue to look for acquisition or investment opportunities to generate better returns for shareholders of the Company.

FUND RAISING ACTIVITIES

On 24 July 2012, the Company and the Placing Agent entered into a placing agreement with respect of placing up to 100 options at a premium of HK\$7,830 per option to not less than six independent placees (the "**Placing Agreement**"). Each optionholder was entitled to subscribe for the convertible bonds in the principal amount of HK\$156,600 at the subscription price of HK\$156,600. Assuming exercise of all of the 100 options, the optionholders are entitled to subscribe for, in aggregate, the convertible bonds in the principal amount of HK\$15,660,000.

On 8 October 2012, the conditions of the Placing Agreement had been fulfilled and the net proceeds were approximately HK\$653,000 with net placing price of HK\$6,530 per option.

For further details, please refer to the Company's announcements dated 19 April 2012, 24 July 2012 and 8 October 2012 respectively, and the Company's circular dated 28 May 2012. As at the date of this report, no options have been exercised yet.

FUND RAISING ACTIVITIES *(continued)*

On 26 February 2013, 15 March 2013 and 22 August 2013, the Company entered into another placing agreement, a supplemental agreement and a second supplemental placing agreement respectively with FT Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent 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 conversion shares will 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. If shareholders’ approval could not be obtained, the Company would consider cash settlement for the excess conversion shares. For further details, please refer to the Company’s announcements dated 1 March 2013, 15 March 2013 and 22 August 2013.

STAFF AND REMUNERATION

As at 30 June 2013, the Group had 14 (2012: 14) employees and total staff costs incurred during the period under review amounted to approximately HK\$2.69 million (2012: approximately HK\$2.02 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 2013 (2012: 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 loan financing business, which are mainly mortgage services, continues to generate interest income for the Group for the six months ended 30 June 2013. In the view that the interest rate will 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 would continue exploring and broadening the existing businesses in order to strengthen its competitiveness and provide business growth potential. The Group is also looking for other investment opportunities to diversify its business portfolios. On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to its shareholders in view of the promising market outlook.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES

As at 30 June 2013, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Directors	Capacity	Number of underlying shares held (Note)	Percentage of the issued share capital as at 30 June 2013
Mr. So Yuen Chun	Beneficial interest	4,351,200	0.99%
Mr. Yeung Kwok Leung	Beneficial interest	4,351,200	0.99%
Mr. Lam Kwok Hing, Wilfred	Beneficial interest	1,087,800	0.24%
Mr. Yeung Wai Hung, Peter	Beneficial interest	434,400	0.09%
Mr. Lam Raymond Shiu Cheung	Beneficial interest	434,400	0.09%
Ms. Yuen Wai Man	Beneficial interest	434,400	0.09%

Note: All underlying shares are options granted by the Company under the share option scheme adopted by the Company on 22 May 2008.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2013, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and/or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of Underlying Shares	Number of Shares and Underlying Shares	Approximate percentage of share capital in issue of the Company (Note 1)
Chinese Capital Management Limited (Note 2)	Beneficial owner	–	35,670,000 (L)	35,670,000 (L)	8.20%
Liang Gui Lian (Note 3)	Interest of controlled corporation	27,312,500 (L)	4,370,000 (L)	31,682,500 (L)	7.28%
Best Leader Asia Investment Limited (Note 3)	Interest of controlled corporation	27,312,500 (L)	4,370,000 (L)	31,682,500 (L)	7.28%
Express Advantage Limited (Note 3)	Beneficial owner	27,312,500 (L)	4,370,000 (L)	31,682,500 (L)	7.28%
Chinese Global Investors Group Limited (Note 4)	Interest of controlled corporation	30,390,400 (L)	–	30,390,400 (L)	6.98%
CGI (Offshore) Limited (Note 4)	Interest of controlled corporation	30,390,400 (L)	–	30,390,400 (L)	6.98%
CGI (HK) Limited (Note 4)	Beneficial owner	30,390,400 (L)	–	30,390,400 (L)	6.98%

(L) denotes the long position held in the shares

Notes:

- (1) Based on the number of 435,148,866 shares of HK\$0.1 each ("**Shares**") of the Company in issue as at 30 June 2013.
- (2) These are options to subscribe for convertible bonds which can be converted to a maximum of 35,670,000 Shares.
- (3) These 31,682,500 Shares comprise (i) 27,312,500 Shares; and (ii) unlisted physically settled derivatives that may be converted into a maximum of 4,370,000 Shares. Express Advantage Limited is wholly-owned by Best Leader Asia Investment Limited which is in turn wholly-owned by Liang Gui Lian. Accordingly, Liang Gui Lian and Best Leader Asia Investment Limited were taken to be interested in the Shares in which Express Advantage Limited was interested.
- (4) CGI (HK) Limited is wholly-owned by CGI (Offshore) Limited which is in turn wholly-owned by Chinese Global Investors Group Limited (formerly known as Auswin Holdings Limited). Accordingly, CGI (Offshore) Limited and Chinese Global Investors Group Limited were taken to be interested in the Shares in which CGI (HK) Limited was interested.

SHARE OPTION SCHEME

The Company operates a share option scheme adopted by the shareholders of the Company (the “Shareholders”) on 22 May 2008 (the “Share Option Scheme”), pursuant to which the Board may, at its discretion, grant options to any eligible participants.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity. Eligible participants include any employee (whether full time or part time), any executive Director and any non-executive Director (including independent non-executive Directors), or any of its subsidiaries or invested entity in which any member of the Group holds any equity interest, any shareholder of any member of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity and any other person (such as consultant, adviser, business partner or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Under the Share Option Scheme, where any further grant of options to an eligible participant, if exercised in full, would result in the total number of shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of shares in issue (the “Individual Limit”), such further grant must be separately approved by the Shareholders in general meeting. Save for the foregoing, no eligible participant shall be granted an option if exercised in full, would exceed the Individual Limit. In addition, where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such further grant of options must be approved by the Shareholders.

A consideration of HK\$1 is payable on acceptance of the grant of an option. An option may be exercised in whole or in part by the grantee within the option period as determined and notified by the Board to the grantee. The Share Option Scheme does not specify a minimum period for which an option must be held before an option can be exercised. However, the provisions of the Share Option Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

SHARE OPTION SCHEME (continued)

The Share Option Scheme shall be valid and effective for a period of ten years from 22 May 2008 to 21 May 2018, unless terminated by a resolution passed in the general meeting of the Company or otherwise in accordance with the provisions of the Share Option Scheme. At the annual general meeting of the Company held on 22 May 2008, the Company was authorized to issue a maximum of 22,500,000 new shares upon the exercise of options that may be granted under the Share Option Scheme (the "General Mandate"). At the extraordinary general meeting of the Company held on 7 December 2012, the Company was authorized to refresh the Scheme Mandate Limit, hence, after the Capital Reduction and Capital Reorganisation effected on 19 December 2012, a maximum of 43,514,886 Shares may be issued upon the exercise of options that may be granted under the Share Option Scheme. Notwithstanding the forgoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

As at the date of this report, a total of 15,444,600 Options have been granted under the Scheme Mandate Limit and the outstanding number of options available for issue under the Scheme Mandate Limit is 28,070,286, representing approximately 6.45% of the issued share capital of the Company.

Details of the share options movements during the six months ended 30 June 2013 under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Outstanding as at 01.01.2013	Number of share options				Outstanding as at 30.06.2013	Validity period of share options	Exercise price
			Granted during the six months ended 30 June 2013	Exercised during the six months ended 30 June 2013	Lapsed during the six months ended 30 June 2013	Cancelled during the six months ended 30 June 2013			
Directors									
Mr. So Yuen Chun	28.12.2012	4,351,200	-	-	-	-	4,351,200	28.12.2012 to 27.12.2022	HK\$0.273
Mr. Yeung Kwok Leung	28.12.2012	4,351,200	-	-	-	-	4,351,200	28.12.2012 to 27.12.2022	HK\$0.273
Mr. Lam Kwok Hing, Wilfred	28.12.2012	1,087,800	-	-	-	-	1,087,800	28.12.2012 to 27.12.2022	HK\$0.273
Mr. Yeung Wai Hung, Peter	28.12.2012	434,400	-	-	-	-	434,400	28.12.2012 to 27.12.2022	HK\$0.273
Mr. Lam Raymond Shiu Cheung	28.12.2012	434,400	-	-	-	-	434,400	28.12.2012 to 27.12.2022	HK\$0.273
Ms. Yuen Wai Man	28.12.2012	434,400	-	-	-	-	434,400	28.12.2012 to 27.12.2022	HK\$0.273
Subtotal		11,093,400	-	-	-	-	11,093,400		
Consultant									
	28.12.2012	4,351,200	-	-	-	-	4,351,200	28.12.2012 to 27.12.2022	HK\$0.273
Subtotal		4,351,200	-	-	-	-	4,351,200		
Total		15,444,600	-	-	-	-	15,444,600		

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 2013.

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 independent non-executive Directors were unable to attend the annual general meeting of the Company held on 21 June 2013 due to other important business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (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 2013. The Audit Committee has approved the unaudited interim financial statements.

On behalf of the Board

The Hong Kong Building and Loan Agency Limited

So Yuen Chun

Executive Director

Hong Kong, 29 August 2013