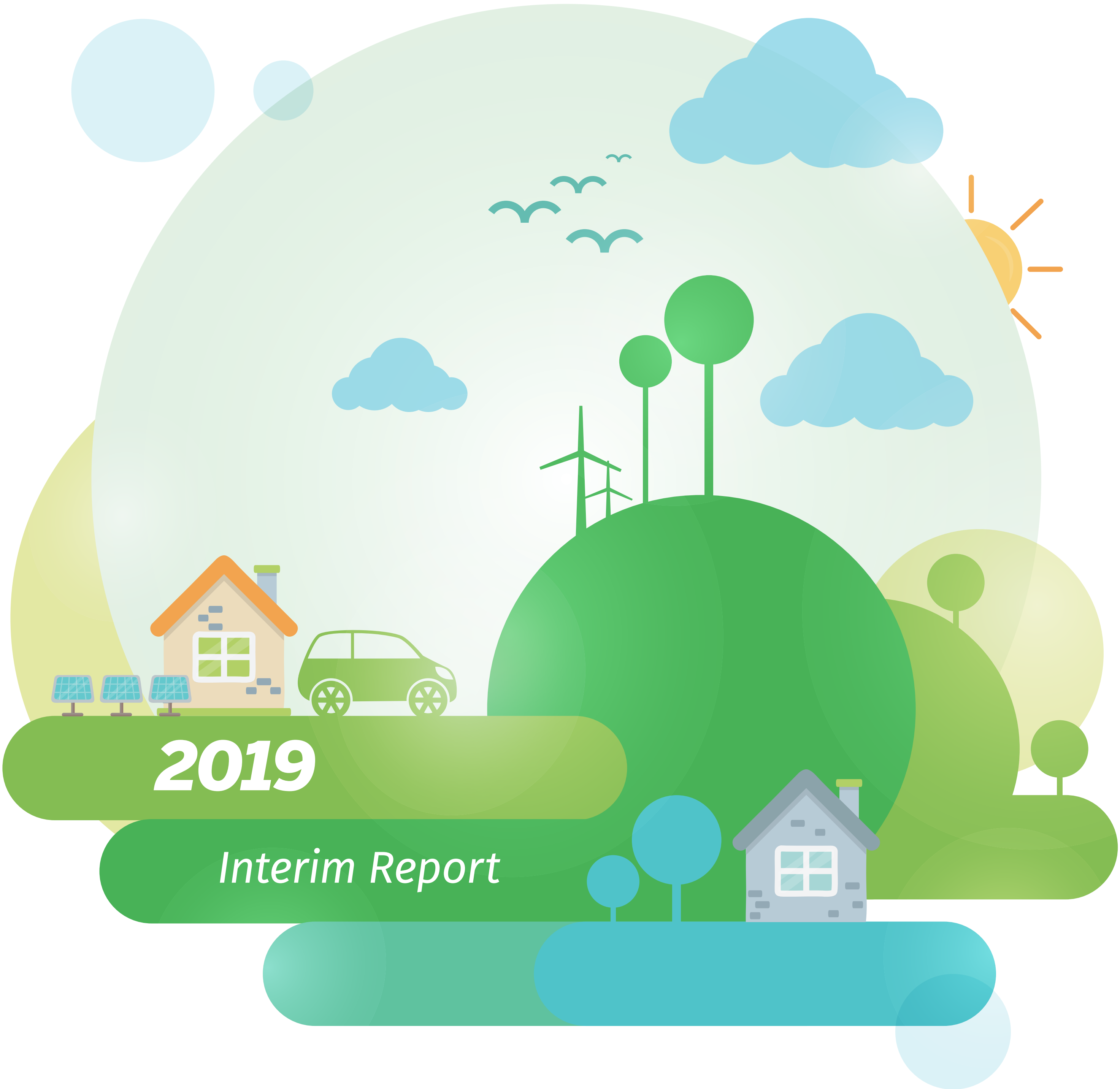
The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司

(Stock Code: 145)



2019

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Li Ai Guo
Mr. Chong Kok Leong
Mr. Zhuang Miaozhong

Independent Non-executive Directors

Mr. Choy Hiu Fai, Eric
Mr. Huang Lizhi
Mr. Ng Kay Kwok

AUDIT COMMITTEE

Mr. Ng Kay Kwok *(Chairman)*
Mr. Choy Hiu Fai, Eric
Mr. Huang Lizhi

NOMINATION COMMITTEE

Mr. Choy Hiu Fai, Eric *(Chairman)*
Mr. Huang Lizhi
Mr. Ng Kay Kwok

REMUNERATION COMMITTEE

Mr. Choy Hiu Fai, Eric *(Chairman)*
Mr. Huang Lizhi
Mr. Ng Kay Kwok

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKERS

China CITIC Bank International Limited
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISOR

WT Law Offices

SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Rooms 1801-4
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

145

WEBSITE

http://www.hkbla.com.hk

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 2019 together with the unaudited comparative figures for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	**Six months ended 30 June** **2019** **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Revenue	4	**15,917**	6,387
Cost of operation		**(14,093)**	(4,701)
Gross profit		**1,824**	1,686
Other income	5	**1,911**	2,201
Other gains and losses	6	**(788)**	–
Selling expenses		**(1,305)**	(1,444)
Administrative and operating expenses		**(14,051)**	(37,264)
Loss from operations		**(12,409)**	(34,821)
Finance costs	7	**(16,355)**	(61,910)
Loss before taxation	8	**(28,764)**	(96,731)
Taxation	9	**642**	12,700
Loss for the period		**(28,122)**	(84,031)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June **2019** **HK$'000** **(Unaudited)**	 2018 HK$'000 (Unaudited)
Other comprehensive income/(loss) for the period, net of tax			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**2**	–
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of available-for-sale financial assets		**–**	533
Exchange differences arising on translation of foreign operations		**686**	2,302
Other comprehensive income for the period, net of tax		**688**	2,835
Total comprehensive loss for the period, net of tax		**(27,434)**	(81,196)
Loss for the period attributable to owners of the Company		**(28,122)**	(84,031)
Total comprehensive loss for the period attributable to owners of the Company		**(27,434)**	(81,196)
Loss per share	11		
– Basic and diluted, HK cents		**(1.22)**	(3.64)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Non-current assets			
Intangible assets	12	**96,717**	101,000
Property, plant and equipment	13	**689**	367
Right-of-use assets		**738**	–
Construction in progress		**9,671**	19,614
Financial assets at fair value through other comprehensive income	14	**8,813**	8,811
Trade receivables	16	**17,095**	13,130
Finance lease receivables	15	**66,555**	68,160
		200,278	211,082
Current assets			
Inventories		**595**	597
Trade and bills receivables	16	**44,217**	34,084
Prepayments, deposits and other receivables	17	**2,003**	1,784
Finance lease receivables	15	**10,909**	10,707
Cash and bank balances		**13,581**	22,986
		71,305	70,158
Current liabilities			
Trade and other payables	18	**69,648**	51,991
Lease liabilities		**477**	–
Other borrowings		**22,648**	22,532
Convertible bonds	19	**945,158**	945,158
Promissory notes	20	**127,400**	127,400
		1,165,331	1,147,081
Net current liabilities		**(1,094,026)**	(1,076,923)
Total assets less current liabilities		**(893,748)**	(865,841)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AT 30 JUNE 2019

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Lease liabilities		**169**	–
Deferred tax liabilities		**14,508**	15,150
		14,677	15,150
Net liabilities		**(908,425)**	(880,991)
Capital and reserves			
Share capital	21	**1,344,398**	1,344,398
Reserves		**(2,252,823)**	(2,225,389)
Total equity		**(908,425)**	(880,991)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital HK$'000	Share options reserve HK$'000	Convertible bonds reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018 (Audited)	1,344,398	607	672,631	–	1,203	4,419	(1,521,439)	501,819
Loss for the period	–	–	–	–	–	–	(84,031)	(84,031)
Other comprehensive income for the period	–	–	–	–	533	2,302	–	2,835
Total comprehensive income/(loss) for the period	–	–	–	–	533	2,302	(84,031)	(81,196)
Transfer upon lapse of share options	–	(334)	–	–	–	–	334	–
At 30 June 2018 (Unaudited)	1,344,398	273	672,631	–	1,736	6,721	(1,605,136)	420,623
At 1 January 2019 (Audited)	1,344,398	607	672,631	(1,278)	–	(1,864)	(2,895,485)	(880,991)
Loss for the period	–	–	–	–	–	–	(28,122)	(28,122)
Other comprehensive income for the period	–	–	–	2	–	686	–	688
Total comprehensive income/(loss) for the period	–	–	–	2	–	686	(28,122)	(27,434)
Transfer upon lapse of share options	–	(607)	–	–	–	–	607	–
At 30 June 2019 (Unaudited)	**1,344,398**	**–**	**672,631**	**(1,276)**	**–**	**(1,178)**	**(2,923,000)**	**(908,425)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	Note	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Net cash flow used in operating activities		**(9,550)**	(26,971)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(482)**	(4)
Other interest received		**57**	104
Net cash flow (used in)/generated from investing activities		**(425)**	100
Cash flows from financing activities			
Repayments of lease liabilities under operating leases		**(229)**	–
Net cash flow used in financing activities		**(229)**	–
Net decrease in cash and cash equivalents		**(10,204)**	(26,871)
Cash and cash equivalents at the beginning of the period		**22,986**	57,111
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		**799**	2,851
Cash and cash equivalents at the end of the period		**13,581**	33,091
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**13,581**	33,091

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 "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 2018 as contained in the Company's annual report 2018, 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 27 August 2019.

The financial information relating to the financial year ended 31 December 2018 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 2018 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 2018. The auditors' report had been qualified with a disclaimer of opinion. It was stated in the auditors' report that the auditors have not been able to obtain sufficient appropriate audit evidence to satisfy themselves about the appropriateness of the use of the going concern basis of accounting in the preparation of condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION (continued)

Going Concern

For the period ended 30 June 2019, the Group incurred a net loss of approximately HK$28,122,000 (2018: approximately HK$84,031,000). As at 30 June 2019, the Group had net current liabilities of approximately HK$1,094,026,000 (31 December 2018: approximately HK$1,076,923,000) and net liabilities of approximately HK$908,425,000 (31 December 2018: approximately HK$880,991,000).

The Group had promissory notes of approximately HK$127,400,000 and other borrowings of approximately HK$22,532,000 which was expired and other borrowings carried the default interest on 17% interest rate per annum. Also the convertible bonds with amount of approximately HK$945,158,000 was reclassified to current liabilities subject to cross default clause in the convertible bonds agreement.

(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 on implementation a scheme of arrangement

The management represents that the Company filed with the Court of First Instance of the High Court of Hong Kong ("Court") seeking an order ("Convening Order") and the hearing at which such an order was considered to, (the "Convening Hearing") among other things, convene a meeting ("Scheme Meeting") which is to settle and discharge all liabilities under the convertible bonds and promissory notes issued by the Group with certain creditors. On 14 May 2019, the Court granted the Convening Order and the Scheme Meeting was held and approved by requisite statutory majorities of the Creditors on 28 June 2019. The Scheme was sanctioned by the Court at the Court Hearing held on 20 August 2019. The registration date of the order sanctioning the Scheme granted by the Court with the Companies Registry in Hong Kong ("Effective Date") is expected to be on 30 August 2019.

(iii) Control policy for operating cost

The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise the Group's assets and discharge the Group's liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding promissory notes and convertible bonds and be able to finance its future working capital and finance requirements. Certain measures have been taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

(i) whether the Group is able to successfully obtain additional financing as and when required;

(ii) whether the Group is able to implement its operational plans for control of costs and to generate adequate cash flow from operations, the achievability of which depends on the market environment which is expected to remain challenging; and

1. BASIS OF PREPARATION (continued)

Going Concern (continued)

(iii) Control policy for operating cost (continued)

(iii) whether the Group is able to successfully negotiate with the convertible bond holders and promissory note holders for the settlement of outstanding balance and discharge of all liabilities under the scheme of arrangement in the Scheme Meeting.

Whilst the Group is taking measures to preserve cash and secure additional finance, the following material uncertainties exist:

(i) the Group may not be able to successfully obtain additional financing as and when required;

(ii) the Group may not be able to implement its operational plans for control of costs and to generate adequate cash flow from operations, the achievability of which depends on the market environment which is expected to remain challenging; and

(iii) the Group may not be able to successfully negotiate with the convertible bond holders and promissory note holders for the settlement of outstanding balance and discharge of all liabilities under the scheme of arrangement in the Scheme Meeting.

These facts and circumstances indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that, taking into account the abovementioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements for the period ended 30 June 2019 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 condensed 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 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of restaurant premises that have a lease term of 12 months or less from the date of initial application of HKFRS 16. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2. CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use).Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17 and elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK$875,000 and right-of-use assets of approximately HK$1,006,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.8%.

2. CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

	As at 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	1,094
Lease liabilities discounted at relevant incremental borrowing rates	990
Less: Recognition exemption – short-term leases	(115)
Lease liabilities as at 1 January 2019	875
Analysed as	
Current	477
Non-current	398
	875

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	**As at 1 January 2019** HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		875
Adjustments on rental deposits at 1 January 2019	(a)	131
		1,006
By class:		
Office building		1,006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. CHANGES IN ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets				
Right-of-use assets		–	1,006	1,006
Prepayments, deposits and other receivables				
– Rental deposits	(a)	1,784	(131)	1,653
Current Liabilities				
Lease liabilities		–	477	477
Non-current liabilities				
Lease liabilities		–	398	398

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$131,000 was adjusted to refundable rental deposits paid and right-of-use assets.

2.2 Significant changes in significant judgements and key sources of estimation uncertainty

Incremental borrowing rate

In determination on incremental borrowing rate, the Group applies judgement to determine the applicable rate to calculate the present value of lease payments. The incremental borrowing rate of the Group applied will significantly affects the amount of lease liabilities and right-of-use assets recognised.

3. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the period ended 30 June 2019 and 2018, the Group operates in one operating segment which is the provision of design and provision of energy saving solutions. A single management team reports to the Directors of the Group (being the chief operating decision-maker) who comprehensively manages the entire business. Accordingly, the Group does not present separately segment information.

Geographical information

The Group operates in three principal geographical areas – Hong Kong, the People's Republic of China (the "PRC") and Taiwan.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		**Non-current assets**	
	30 June 2019 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Unaudited)	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
The PRC	**15,917**	6,387	**191,465**	202,271
Taiwan	**–**	–	**8,813**	8,811
	15,917	6,387	**200,278**	211,082

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Disaggregation of revenue from contracts with customers		
Recognised over time		
Energy saving solutions income	**14,279**	6,101
Recognised at a point in time		
Repair and maintenance service income	**480**	286
Revenue from contracts with customers	**14,759**	6,387
Revenue from other source		
Energy saving solutions income under finance leases	**1,158**	–
	15,917	6,387

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Bank interest income	**57**	104
Interest income on finance lease receivables	**706**	2,091
Interest income on extended trade receivables	**1,069**	–
Reversal of loss allowance on trade receivables	**18**	–
Reversal of loss allowance on finance lease receivables	**55**	–
Others	**6**	6
	1,911	2,201

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Impairment loss on finance lease receivables	**788**	–

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on other borrowings	**2,169**	1,508
Interest on convertible bonds	**14,177**	14,177
Imputed interest on promissory notes	**–**	8,198
Imputed interest on convertible bonds	**–**	38,027
Interest on lease liabilities	**9**	–
	16,355	61,910

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

8. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Staff costs (ling Directors' remuneration):		
– Directors' fee	**900**	830
– Salaries, bonus and wages	**2,937**	4,255
– Contribution to retirement benefits schemes	**440**	405
	4,277	5,490
Amortisation of intangible assets	**4,283**	27,242
Depreciation of property, plant and equipment	**163**	144
Depreciation of right-of-use assets	**268**	–
Cost of inventories sold	**14,093**	4,701
Operating lease payments	**153**	999
Impairment loss on finance lease receivables	**788**	–

9. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Deferred taxation		
Credit for the period	**(642)**	(12,700)

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 2019 (six months ended 30 June 2018: Nil).

10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: 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	
	2019	2018
	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	**(28,122)**	(84,031)

	Six months ended 30 June	
	2019	2018
	'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**	2,306,502

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 2019 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

12. INTANGIBLE ASSETS

	Patent HK$'000
Cost	
At 31 December 2018 and 1 January 2019 (Audited)	889,901
Additions	–
At 30 June 2019 (Unaudited)	889,901
Accumulated amortisation and impairment	
At 31 December 2018 and 1 January 2019 (Audited)	788,901
Amortisation expenses	4,283
At 30 June 2019 (Unaudited)	793,184
Carrying amounts	
At 30 June 2019 (Unaudited)	96,717
At 31 December 2018 (Audited)	101,000

Notes:

(a) The intangible assets represent 7 patents regarding the acquired and owned "Ultra Performance Plant Control System" ("UPPC") for its novelty and industrial applicability in the PRC under cash generating units of design and provision of energy saving solutions business.

(b) The patents for UPPC system's useful life used in the calculation of amortisation is 16.3 years.

13. PROPERTY, PLANT AND EQUIPMENT

The total cost of additions to the property, plant and equipment of the Group during the six months ended 30 June 2019 was approximately HK$482,000 (six months ended 30 June 2018: approximately HK$4,000).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Listed equity securities in Taiwan, at fair value (Note (i))	**8,813**	8,811

Note:

(i) The amount represents Group's investments in listed equity securities in Taiwan. The Group held 6,100,000 shares of Fortune Oriental Company Limited ("Fortune Oriental").

Fair value of the investments in listed equity securities are determined by reference to bid prices quoted in active markets. As at 30 June 2019, there was a gain on changes in fair value of financial assets at fair value through other comprehensive income with approximately HK$2,000 (2018: loss on changes in fair value of available-for-sale financial assets with approximately HK$2,481,000) recognised in financial assets at fair value through profit or loss reserve/available-for-sale investment reserve.

15. FINANCE LEASE RECEIVABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Current finance lease receivables	**12,559**	12,524
Non-current finance lease receivables	**66,555**	68,160
	79,114	80,684
Less: allowance for expected credit losses	**(1,650)**	(1,817)
	77,464	78,867

Leasing arrangements

Certain of the Group's energy saving equipment are leased out under finance leases. All leases are denominated in RMB. The average term of finance lease entered into is 5-19 years (31 December 2018: range from 5-19 years).

15. FINANCE LEASE RECEIVABLES (continued)

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
Not later than 1 year	**13,685**	13,573	**12,619**	12,524
Later than one year and not later than five years	**45,523**	38,206	**34,723**	30,179
Later than five years	**68,416**	83,937	**31,776**	37,981
	127,624	135,716	**79,118**	80,684
Less: unearned finance income	**(48,506)**	(55,032)	**–**	–
Present value of minimum lease payments receivable	**79,118**	80,684	**79,118**	80,684
Allowance for uncollectible lease payments	**(1,654)**	(1,817)	**(1,654)**	(1,817)
	77,464	78,867	**77,464**	78,867

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8.45% per annum for the period ended 30 June 2019 (31 December 2018: 8.45%).

Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 180 days after taking into consideration the recoverability of collateral and deposits.

An impairment loss on finance lease receivables of approximately HK$788,000 has been recognised (2018: Nil).

Reversal of loss allowance on finance lease receivables of approximately HK$55,000 have been recognised for finance lease receivables during the period ended 30 June 2019 (2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

16. TRADE AND BILLS RECEIVABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables		
– with normal credit terms	**23,238**	22,262
– with extended credit terms	**38,809**	24,487
	62,047	46,749
Less: Allowance for expected credit losses	**(735)**	(770)
	61,312	45,979
Less: Non-current portion of trade receivables with extended credit terms	**(17,095)**	(13,130)
Current portion of trade receivables	**44,217**	32,849
Bills receivables	**–**	1,235
	44,217	34,084

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

16. TRADE AND BILLS RECEIVABLES (continued)

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

	Extended Credit terms		Normal Credit terms		Total	
	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
0 – 90 days	**15,353**	–	**1,263**	900	**16,616**	900
91 – 180 days	**–**	–	**329**	–	**329**	–
Over 180 days	**23,454**	24,487	**20,913**	20,592	**44,367**	45,079
	38,807	24,487	**22,505**	21,492	**61,312**	45,979

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.

Reversal of loss allowance on trade receivables of approximately HK$18,000 have been recognised for trade receivables during the period ended 30 June 2019 (2018: Nil).

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Prepayments	**1,729**	1,123
Receivables from disposal of a subsidiary	**9,200**	9,200
Other receivables	**151**	462
Rental deposit and other deposit	**123**	199
	11,203	10,984
Less: accumulated impairment allowance	**(9,200)**	(9,200)
	2,003	1,784

As at 30 June 2019 and 31 December 2018, the receivables from disposal of a subsidiary amounting to HK$9,200,000 was overdue and an impairment allowance of HK$9,200,000 was provided in 2016. No movement in allowance account for the period ended 30 June 2019.

18. TRADE AND OTHER PAYABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade payables	**1,082**	1,422
Accrued service fee for acquisition of a subsidiary	**3,871**	3,871
Accrued expenses	**1,066**	3,588
Interest payables	**61,518**	42,532
Other payables	**2,111**	578
	69,648	51,991

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

18. TRADE AND OTHER PAYABLES (continued)

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
0 to 90 days	**136**	181
91 to 180 days	**104**	7
181 to 365 days	**–**	380
Over 365 days	**842**	854
	1,082	1,422

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

19. CONVERTIBLE BONDS ("CB")

The details of CB A and CB B:

On 13 June 2014, the Company issued CB A and CB B, with principal amounts of HK$434,980,000 and HK$827,520,000 respectively as a part of the consideration for its acquisition of Weldtech Technology Co. Ltd. Both convertible bonds are non-interest bearing for the first three years, followed by 3% interest per annum from the fourth to the remaining years. CB A can be converted as from the date of issue while CB B can only be converted as from 1 July 2015 and can be converted into ordinary shares of the Company at HK$0.8 per share. The maturity date of both CB A and CB B fall on the date of 31 December 2023. The effective interest rate of the liability component on initial recognition is 15.99% per annum for both CB A and CB B.

During the year ended 31 December 2018, the Group had defaulted for the repayment of promissory notes, and as a result the convertible bonds become repayable on demand of the holder due to breach of cross default term in the convertible bonds agreement. The whole outstanding principal amount of the CB A and CB B were reclassified to the current liabilities and remeasured to the amounts repayable on demand.

As at 30 June 2019, the outstanding principal amounts of CB A and CB B were approximately HK$305,546,000 and HK$639,612,000, respectively. No principal amount of the CB A and CB B were converted into ordinary shares of the Company during the six months period ended 30 June 2019.

20. PROMISSORY NOTES

The movement of the carrying amount of the PN A during the period ended 30 June 2019 and 31 December 2018 is set out below:

	HK$'000 (Notes)
At 1 January 2018 (Audited) and as at 30 June 2019 (Unaudited)	127,400

Notes:

(i) On 13 June 2014, the Company issued PN A with a principal amount of HK$474,400,000 as a part of consideration for acquiring the entire issued share capital of Weldtech Technology Co. Limited. The fair value of PN A was approximately HK$247,295,000 on 13 June 2014. PN A is non-interest bearing and mature on 31 December 2018. The effective interest rate on initial recognition is 15.4% per annum.

21. SHARE CAPITAL

	Number of shares		**Share capital**	
	30 June 2019 '000	31 December 2018 '000	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
Issued and fully paid:				
At the end of the period/year	**2,306,502**	2,306,502	**1,344,398**	1,344,398

22. OPERATING LEASES

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for certain of its office premises as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within one year	**647**	637
In the second to fifth years inclusive	**197**	457
	844	1,094

Leases are negotiated and rental are fixed for term of 2 years (2018: 2 years).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

23. CAPITAL COMMITMENT

Capital commitments at each of the end of the reporting period contracted but not provided for in the condensed consolidated financial statements were as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Commitments for the construction contract	**5,959**	6,679

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identified assets and liabilities.

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets and liabilities are measured at fair value on a recurring basis.

	Fair value as at				
Financial assets	**30 June 2019**	31 December 2018	**Fair value hierarchy**	**Valuation Techniques and key inputs**	**Significant unobservable inputs**
Listed equity securities classified as financial assets at fair value through other comprehensive income	**Assets approximately HK$8,813,000**	Assets approximately HK$8,811,000	Level 1	Quoted bid prices active market	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

24. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities measured at fair value:

Fair value hierarchy as at 30 June 2019

	30 June 2019			
	Level 1 HK$'000 (Unaudited)	**Level 2 HK$'000 (Unaudited)**	**Level 3 HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Financial assets				
Financial assets at fair value through other comprehensive income	**8,813**	**–**	**–**	**8,813**

Fair value hierarchy as at 31 December 2018

	31 December 2018			
	Level 1 HK$'000 (Audited)	Level 2 HK$'000 (Audited)	Level 3 HK$'000 (Audited)	Total HK$'000 (Audited)
Financial assets				
Financial assets at fair value through other comprehensive income	8,811	–	–	8,811

Except as disclosed as above, the Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximates to their fair values.

25. EVENTS AFTER REPORTING PERIOD

The Group filed with the Court of First Instance of the High Court of Hong Kong seeking an order and the hearing at which such an order was considered to, among other things, convene a meeting which is to settle and discharge all liabilities under the convertible bonds and promissory notes issued by the Group with certain creditors. For detail, please refer to note 1 (ii) to the condensed consolidated financial statements and significant events under "management discussion and analysis" section of this report.

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 2019, the Group recorded an unaudited revenue of approximately HK$15,917,000, representing an increase of approximately 149.2% as compared with approximately HK$6,387,000 for the last corresponding period. An unaudited loss attributable to the owners of the Company of approximately HK$28,122,000 (2018: loss of approximately HK$84,031,000), representing a decrease of 66.5%, was recorded during the six months ended 30 June 2019 which was mainly attributable to: (i) finance costs of approximately HK$16,355,000 (2018: approximately HK$61,910,000) which included the interest expense on convertible bonds of HK$14,177,000 (2018: approximately HK$14,177,000); and interest expense of approximately HK$2,169,000 (2018: approximately HK$1,508,000) on other borrowings raised for financing the projects of the Group's operations; and (ii) amortisation of intangible assets of HK$4,283,000 (2018: approximately HK$27,242,000).

The decrease in loss was mainly because there was no imputed interest charged on the carrying amount of convertible bonds and promissory notes during the period ended 30 June 2019 (2018: approximately HK$46,225,000) as the liability component of convertible bonds and the promissory notes has been remeasured to the amounts repayable on demand during the year ended 31 December 2018.

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$9,688,000 was recorded for the six months ended 30 June 2019 (2018: loss of approximately HK$30,315,000). The decrease in segment loss was mainly attributable to the decrease in amortisation of intangible assets by approximately HK$22,959,000 to HK$4,283,000 (2018: 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.

During the year ended 31 December 2018, there was an impairment of goodwill of approximately HK$432,403,000 and intangible assets of approximately HK$541,453,000. The goodwill and intangible assets were arised from the Acquisition in 2014 and the impairment of intangible assets held under Weldtech Group. The Company engaged an independent qualified valuer to assess the value in use of Weldtech Group as at 31 December 2018 and produced the valuation report, which was used to determine the fore-mentioned impairment amount, after taking into account (i) the economic development of the PRC; (ii) the development of energy saving industry; and (iii) the expected business flow and development plan of the Energy Saving Business during the valuation process. During the period ended 30 June 2019, the amortisation of intangible assets of HK$4,283,000 was calculated based on the carrying amount of HK$101,000,000 taken into account the impairment as at 31 December 2018 over its remaining useful life.

The decrease in valuation was mainly based on the following factors: (i) the slow-down in the PRC economy that weakened the enterprise demand; (ii) the fierce competitions within the energy saving business; (iii) difficulties in getting financing within the energy saving industry; and (iv) continuous lowering of government subsidies. As above, an overall poor market sentiment in energy saving sector was resulted.

Energy saving solutions business (continued)

During the period ended 30 June 2019, Weldtech Group has focused on the completion of the projects signed in previous years. The increase in revenue was mainly resulted from the completion of a procurement project which contributed a revenue of HK$13.3 million in the first half of 2019. Project completion is subjected to factors such as (i) suitable weather conditions for system commissioning and/or trial run to ensure the system stability and level of energy saving; (ii) customer related factors including the condition and/or the readiness of the project site provided by customers; and (iii) projection variations due to change in project scope or schedule requested by customers. The Weldtech Group mainly focused on seeking buyout project opportunities from potential customers or through secondary sales from existing customers. Before deducting the amortisation of intangible assets and the respective deferred tax movement, Weldtech Group has generated a segment loss of approximately HK$6,048,000 (2018: segment loss of approximately HK$3,073,000) 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 2019, the Group's cash and bank balances amounted to approximately HK$13,581,000 (31 December 2018: approximately HK$22,986,000), and it had outstanding convertible bonds of approximately HK$945,158,000 (31 December 2018: approximately HK$945,158,000) and promissory notes of approximately HK$127,400,000 (31 December 2018: approximately HK$127,400,000).

As at 30 June 2019, the Group's current liabilities exceeded its current assets by approximately HK$1,094,026,000 (31 December 2018: approximately HK$1,076,923,000) and net liabilities of approximately HK$908,425,000 (31 December 2018: approximately HK$880,991,000); and the Group had promissory notes of approximately HK$127,400,000 and other borrowings of approximately HK$22,648,000 which was expired and the other borrowings carried the default interest on 17% interest rate per annum. The directors of the Company adopted the going concern basis in the preparation of condensed consolidated financial statements and implemented the measures as set out in Note 1 to the condensed consolidated financial statements in order to improve the working capital and liquidity and cash flow position of the condensed Group.

In the opinion of the directors of the Company, taking into account the various measures/arrangements, 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 of the Company are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

The gearing ratio of the Group as at 30 June 2019, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 624% (31 December 2018: 561%).

As at 30 June 2019, the Group's other borrowings of approximately HK$22,648,000 (31 December 2018: HK$22,532,000) were secured by corporate guarantees granted by the Company.

CAPITAL STRUCTURE

As at 30 June 2019, the Company's number of issued ordinary shares was 2,306,502,816 ("**Share(s)**") (as at 31 December 2018: 2,306,502,816 Shares).

As at 30 June 2019, 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 2019, no new Shares were issued from the conversion of CB A.

As at 30 June 2019, 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 2019, no new Shares were issued from the conversion of CB B.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any charges on its assets (31 December 2018: Nil) and did not have any material contingent liabilities (31 December 2018: Nil).

CAPITAL COMMITMENT

As at 30 June 2019, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK$5,959,000 (31 December 2018: approximately HK$6,679,000).

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 report, there were no material investments, acquisitions or disposals of subsidiaries during the six months ended 30 June 2019.

STAFF AND REMUNERATION

As at 30 June 2019, the Group had 34 (2018: 36) employees and total staff costs incurred during the period under review amounted to approximately HK$4,277,000 (2018: approximately HK$5,490,000). 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 2019 (2018: 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.

SIGNIFICANT EVENTS

In early 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.

The Scheme

As announced in January 2019, the Company proposed to enter into and implement a scheme of arrangement (the "**Scheme**"), the purpose of which is to settle and discharge all liabilities under the convertible bonds and promissory notes issued by the Company in relation to the Acquisition in the previous years. The management is in the opinion that settlement and discharge of the above liabilities upon the successful implementation and completion of the Scheme will substantially improve the financial position of the Group and increase the likelihood and successfulness of engaging potential investors for investments in the Group.

The outstanding indebtedness of the Company included, but not limited to, (i) convertible bonds in the principal amount of approximately HK$945.2 million; (ii) the interest accrued on the outstanding principal amount of the convertible bonds in the amount of approximately HK$62.8 million as at 30 August 2019 (assuming the effective date of the Scheme to be 30 August 2019) (the "**Interest**"); and (iii) promissory notes in the principal amount of approximately HK$127.4 million.

The promissory notes matured on 31 December 2018. The failure to repay the promissory notes on their maturity has led to cross default of the convertible bonds, notwithstanding the latter's maturity date on 31 December 2023. As such, the Company proposed to enter into and implement the Scheme to settle the aforesaid liabilities owed to the holders of the convertible bonds and the promissory notes (the "**Creditors**").

The Scheme (continued)

The Company filed with the Court of First Instance of the High Court of Hong Kong ("**Court**") seeking an order ("**Convening Order**") and the hearing at which such an order was considered to, (the "**Convening Hearing**") among other things, convene a meeting ("**Scheme Meeting**") which is to settle and discharge all liabilities under the convertible bonds and promissory notes issued by the Group with certain creditors. On 14 May 2019, the Court granted the Convening Order and the Scheme Meeting was held and approved by requisite statutory majorities of the Creditors on 28 June 2019. The Scheme was sanctioned by the Court at the Court Hearing held on 20 August 2019. The registration date of the order sanctioning the scheme granted by the Court with Companies Registry in Hong Kong ("**Effective Date**") is expected to be on 30 August 2019. The Company shall make further announcement(s) of the Scheme as and when appropriate.

Please refer to the announcements dated 10 January 2019, 15 May 2019, 4 June 2019, 14 June 2019, 28 June 2019, 4 July 2019, 11 July 2019 and 20 August 2019 and the circular dated 11 July 2019.

OUTLOOK AND PROSPECT

Regarding the energy saving solutions business, 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. However, the Group is facing intensified competition in the industry, particularly for small and medium-sized projects. Macro-economic factors also fluctuate the market.

Going forward, the Weldtech Group will continue to target potential customers for buyout projects to improve cashflow of the Weldtech Group with shorter turnover days and explore secondary sales from existing customers, 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. The Weldtech Group will explore the feasibility to research and develop automation or energy saving systems platforms to customers in which such products would require relatively lower upfront capital deployment from the Weldtech Group.

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.

The Management believed that if the Scheme can be successfully proceeded, all liabilities under the convertible bonds and promissory notes can be settled and discharged. Debt of the Company can be reduced and it is expected that the Company will turn from net deficit to positive net asset value position.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2019, none of the Directors or chief executives of the Company had any the interests or short positions 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 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 were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 30 June 2019, 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	Approximate percentage of number of Shares in issue (Note 1)
CITIC Group Corporation (Note 2)	Interest of controlled corporation	102,552,205 (L)	911,251,162 (L)	43.95%
CITIC Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	911,251,162 (L)	43.95%
China CITIC Bank Corporation Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	911,251,162 (L)	43.95%
CITIC International Financial Holdings Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	911,251,162 (L)	43.95%
CITIC International Assets Management Limited ("**CIAM**") (Note 2)	Beneficial owner	102,552,205 (L)	911,251,162 (L)	43.95%
Liu Quanhui ("**Mr. Liu**") (Note 3)	Interest of controlled corporation	454,268,172 (L)	113,665,537 (L)	24.62%
Niu Fang ("**Ms. Niu**") (Note 3)	Interest of controlled corporation	454,268,172 (L)	113,665,537 (L)	24.62%
State Energy HK Limited ("**State Energy**") (Note 3)	Beneficial owner	454,268,172 (L)	113,665,537 (L)	24.62%
Hong Kong Mengzai Material Co., Limited	Beneficial owner	384,416,000 (L)	–	16.66%

(L) denotes the long position held in the Shares

DISCLOSURE OF ADDITIONAL INFORMATION (continued)

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

Notes:

(1) As at 30 June 2019, the Company's number of issued Share was 2,306,502,816.

(2) These shares comprise (i) 102,552,205 shares held by CIAM and (ii) 911,251,162 conversion shares to be allotted and issued to CIAM upon the exercise of the conversion rights attaching to the Convertible Bonds issued to CIAM pursuant to the sale and purchase agreement on 31 October 2013. CIAM is owned as to 40% by CITIC International Financial Holdings Limited, a wholly-owned subsidiary of China CITIC Bank Corporation Limited, which is over 60% owned by CITIC Limited, which is owned as to 58.13% by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the shares held by CIAM.

(3) These shares comprise (i) 454,268,172 shares held by State Energy and (ii) 113,665,537 conversion shares to be allotted and issued to State Energy. Mr. Liu and Ms. Niu are interested in State Energy. By virtue of the SFO, Mr. Liu and Ms. Niu are deemed to be interested in the shares held by State Energy.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 May 2008 which was expired on 22 May 2018 (the "**Expired Share Option Scheme**"), to allow the Company to grant share options to the participants for the purpose of providing incentives or rewards to the participants for their contribution to the Group. No share options was outstanding as on 30 June 2019.

Details of the share options movements during the six months ended 30 June 2019 (the "**Period**") under the Expired Share Option Scheme are as follows:

		Number of share options							
Name of category	**Date of grant of share options**	**Outstanding as at 01.01.2019**	**Granted during the Period**	**Exercised during the Period**	**Lapsed during the Period**	**Cancelled during the Period**	**Outstanding as at 30.06.2019**	**Validity period of share options**	**Exercise price**
Employee	22.01.2015	4,000,000	–	–	4,000,000	–	–	22.01.2017 to 21.01.2019	HK$1.500
Total		4,000,000	–	–	4,000,000	–	–		

The Company operates a share option scheme adopted by the shareholders of the Company (the "**Shareholders**") on 25 May 2018 (the "**Share Option Scheme**") which shall be valid and effective for a period of ten years from the date of adoption, 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.

SHARE OPTION SCHEME (continued)

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.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The maximum number of Shares which may be allotted and issued upon the exercise of all share options which shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders (the "**Scheme Mandate Limit**"), in which the existing Scheme Mandate Limit was approved by the Shareholders in the annual general meeting of the Company on 26 June 2015 and the outstanding number of options available for issue under the existing Scheme Mandate Limit as at 30 June 2019 is 230,650,281, representing 10% of the issued shares as at the date of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION" above, at no time during the Period did there subsist any arrangements to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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 2019.

CORPORATE GOVERNANCE

During the six months ended 30 June 2019 and up to date of this report, 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.

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 2019 on Directors are as follows:

Mr. Ng Kay Kwok ceased to be an independent non-executive director of Merdeka Financial Services Group Limited (Stock Code: 8163), a company listed on GEM of the Exchange, with effect from 1 April 2019.

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 2019. The Audit Committee has approved the unaudited interim financial statements.

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

Hong Kong, 27 August 2019