



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

(Stock Code: 145)

INTERIM REPORT 2011



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tin Fung
Mr. So Yuen Chun
Mr. Soong Kok Meng

Independent Non-Executive Directors

Mr. Ng Cheuk Fan, Keith
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter

AUDIT COMMITTEE

Mr. Ng Cheuk Fan, Keith
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter

NOMINATION COMMITTEE

Mr. Ng Cheuk Fan, Keith
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter

REMUNERATION COMMITTEE

Mr. Ng Cheuk Fan, Keith
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

SOLICITORS

Angela Wang & Co

SHARE REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Rm 3501, 35/F, China Online Centre,
No. 333 Lockhart 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 (the “Group”) for the six months ended 30 June 2011 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	5	18,370	8,287
Interest income		18,370	8,287
Fair value changes on financial assets held for trading		(24,866)	(30,310)
Other income		5	92
Operating expenses		(20,766)	(6,816)
Interest expense		–	(207)
Loss before taxation		(27,257)	(28,954)
Taxation	6	(1,293)	(19)
Loss for the period		(28,550)	(28,973)
Other comprehensive income			
Fair value changes on available-for-sale investments		(6,600)	54,840
Deferred tax relating to fair value change on available-for-sale investments		1,089	–
Other comprehensive (expense)/income		(5,511)	54,840
Total comprehensive (expense)/income for the period		(34,061)	25,867
Loss for the period attributable to the owners of the Company		(28,550)	(28,973)
Total comprehensive (expense)/income attributable to the owners of the Company		(34,061)	25,867
		HK cents	<i>HK cents</i>
Loss per share	8		
Basic		(0.70)	(1.04)
Diluted		(0.70)	(1.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	<i>Notes</i>	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Equipment		413	134
Mortgage loans	<i>9</i>	1,374	128,295
Loans receivable	<i>13</i>	260,712	64,000
Deposit	<i>10</i>	10,000	–
Available-for-sale investments	<i>11</i>	10,580	16,680
		283,079	209,109
CURRENT ASSETS			
Mortgage loans	<i>9</i>	615	1,245
Financial assets at fair value through profit or loss	<i>12</i>	36,814	28,243
Loans receivable	<i>13</i>	34,000	60,000
Prepayments, deposits and other receivables	<i>14</i>	25,100	21,476
Bank balances		22,357	77,055
		118,886	188,019
CURRENT LIABILITIES			
Other payables and accruals		5,295	2,769
Tax payable		206	2
		5,501	2,771
NET CURRENT ASSETS			
		113,385	185,248
CAPITAL AND RESERVES			
Share capital	<i>15</i>	435,060	399,470
Reserves		(38,596)	(5,113)
		396,464	394,357

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

Attributable to owners of the Company

	Share capital <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>	Retained profit/(Accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010	225,000	-	-	-	-	-	6,089	231,089
Loss for the period	-	-	-	-	-	-	(28,973)	(28,973)
Fair value changes of available-for-sale investments	-	-	-	-	-	54,840	-	54,840
Total comprehensive income for the period	-	-	-	-	-	54,840	(28,973)	25,867
Issue of ordinary shares and options for convertible bonds	56,250	-	-	51,763	-	-	(51,763)	56,250
Issue of convertible bonds upon exercise of options	-	-	4,873	(2,607)	-	-	-	2,266
Issue of shares upon conversion of convertible bonds	1,685	1,939	(3,624)	-	-	-	-	-
Issue of warrants	-	-	-	-	5,620	-	-	5,620
At 30 June 2010	282,935	1,939	1,249	49,156	5,620	54,840	(74,647)	321,092
At 1 January 2011	399,470	13,658	128	46,265	5,620	8,617	(79,401)	394,357
Loss for the period	-	-	-	-	-	-	(28,550)	(28,550)
Fair value changes of available-for-sale investments	-	-	-	-	-	(6,600)	-	(6,600)
Deferred tax relating to fair value change on available-for-sale investments	-	-	-	-	-	1,089	-	1,089
Total comprehensive income for the period	-	-	-	-	-	(5,511)	(28,550)	(34,061)
Issue of convertible bonds upon exercise of options	-	-	74,611	(39,913)	-	-	-	34,698
Issue of shares upon conversion of convertible bonds	34,590	39,789	(74,379)	-	-	-	-	-
Issue of shares upon exercise of warrants	1,000	570	-	-	(100)	-	-	1,470
Lapse of convertible bond options	-	-	-	(6,352)	-	-	6,352	-
At 30 June 2011	435,060	54,017	360	-	5,520	3,106	(101,599)	396,464

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	<i>Note</i>	Six months ended 30 June	
		2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Net cash flow used in operating activities		(80,043)	(65,089)
Cash flow used in investing activities			
Purchase of equipment		(323)	(26)
Purchase of available-for-sale investments		(500)	(6,360)
Deposit paid for acquisition of a subsidiary	10	(10,000)	–
Net cash used in investing activities		(10,823)	(6,386)
Cash generated from financing activities			
Proceed from issue of shares and options for convertible bonds		–	56,250
Proceed from issue of convertible bonds		34,698	2,266
Proceed from issue of warrants		–	5,620
Proceed from exercise of warrants		1,470	–
Net cash flow generated from financing activities		36,168	64,136
Net change in cash and cash equivalents		(54,698)	(7,339)
Cash and cash equivalents at 1 January		77,055	23,004
Cash and cash equivalents at 30 June, represented by Bank balances		22,357	15,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described in note 3 below.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD

In the current interim period, the Group has applied, for the first time, a number of new or revised Standards and Interpretations ("new or revised HKFRSs") issued by the HKICPA.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards and interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations which have been issued after the date of the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosures of interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 1 (Amendments)	Presentation of items of other comprehensive income ²
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of the above new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

4. 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 2011		
	Loan financing <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	18,368	2	18,370
Segment profit (loss)	18,128	(24,863)	(6,735)
Central administration costs			(20,522)
Loss before taxation			(27,257)

	Six months ended 30 June 2010		
	Loan financing <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	8,190	97	8,287
Segment profit (loss)	8,011	(30,634)	(22,623)
Central administration costs			(6,331)
Loss before taxation			(28,954)

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 2011

5. 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	
	2011	2010
	HK\$'000	HK\$'000
Loan financing:		
Interest on mortgage loans	949	5,887
Interest on loan receivables	17,419	2,303
Treasury investments:		
Interest on bank deposits	2	2
Interest on financial assets designated at fair value through profit or loss	–	95
	18,370	8,287

6. TAXATION

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Hong Kong		
– Current tax	204	19
– Deferred tax	1,089	–
	1,293	19

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 2011

7. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2011, nor has any dividend been declared since the end of reporting date (2010: Nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Loss		
Loss for the purposes of basic loss per share and diluted loss per share		
Loss for the period attributable to owners of the Company	(28,550)	(28,973)
	Six months ended 30 June	
	2011	2010
	Shares	Shares
Weighted average number of ordinary shares		
for the purposes of basic and diluted loss per share	4,064,819,078	2,796,524,264

The computation of diluted loss per share for the period ended 30 June 2011 and 2010 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.

The weighted average number of ordinary shares for the purpose of basic loss per share for the period ended 30 June 2010 has been adjusted for the share subdivision on 10 February 2010 and the bonus element in an open offer on 5 May 2010 as disclosed in note 15(a) and (c).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

9. MORTGAGE LOANS

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Fixed-rate loans receivable	1,414	1,699
Variable-rate loans receivable	575	127,841
	1,989	129,540
Carrying amount analysed for reporting purposes:		
– Current assets (receivable within 12 months from the reporting date)	615	1,245
– Non-current assets (receivable after 12 months from the reporting date)	1,374	128,295
	1,989	129,540

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

Included in the variable-rate loan receivables as at 31 December 2010 were two mortgage loans to a corporate customer (original borrower) amounting to HK\$127,000,000. The loans bore variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited and would mature during January to May 2011. On 13 January 2011, the Group entered into an agreement with the original borrower to extend the repayment of the loan to January 2012 with additional drawdown of HK\$73,000,000. On 26 January 2011, the loan and the related interest receivable of HK\$712,000 amounting to a total of HK\$200,712,000 is restructured whereby the variable interest rate is increased, the named borrower is changed to another company (new borrower) and the security is changed to a floating charge on the entire assets (mainly include a residential property located in Hong Kong which was the security of the original loan) of the guarantor, which is the original borrower, as collateral. The mortgage on the property of the original borrower was released upon restructuring of the loan. The loan is reclassified as loan receivable in note 13 as it is no longer a mortgage after the restructuring.

The mortgage loans as at 30 June 2011 and 31 December 2010 are net of impairment allowances of HK\$12,000 (31 December 2010: HK\$45,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

9. MORTGAGE LOANS *(continued)*

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 2011 HK\$'000	At 31 December 2010 HK\$'000
Repayable:		
Within 3 months	146	897
Between 3 months and 1 year	469	348
Between 1 and 5 years	1,282	1,169
After 5 years	92	126
	1,989	2,540

10. DEPOSIT

Amount represents deposit paid for acquisition of 100% equity interest in Weldtech Technology Co. Limited. Further details of the transaction are set out in note 21. The amount is non-interest bearing.

11. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Equity securities listed in Hong Kong	10,080	16,680
Unlisted equity securities, at cost	500	–
	10,580	16,680

The equity securities listed in Hong Kong represent the fair value of an equity investment in 3.68% (31 December 2010: 4.97%) of the total outstanding issued shares of a listed entity at the end of the reporting period. The fair value is determined with reference to the quoted market bid price available on the Hong Kong Stock Exchange as at 30 June 2011.

The unlisted investments represent investments in unlisted equity securities issued by a company incorporated in Hong Kong. They are measured at cost less identified impairment losses, if any, at the end of the reporting period because their fair values cannot be measured reliably.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Held-for-trading investments:		
Equity securities listed in Hong Kong	36,814	28,243

The held-for-trading investments of the Group as at 30 June 2011 represent the fair values of four (31 December 2010: two) equity investments of 0.62% to 4.14% (31 December 2010: 2.14% to 4.97%) of total outstanding issued shares of the relevant listed entities at the end of the reporting period.

The fair value of the listed equity securities were determined based on the quoted market bid prices available on the Hong Kong Stock Exchange as at 30 June 2011.

As at 31 December 2010, fair value of the listed equity security, amounting to HK\$14,760,000, was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange. As the trading of the shares of the other listed equity security has been suspended from 30 November 2010 to 17 January 2011, the fair value as at 31 December 2010 amounting to HK\$13,483,000 was determined with reference to the closing bid price as at 29 November 2010.

13. LOANS RECEIVABLE

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Carrying amount analysed for reporting purposes		
Current assets (receivable within 12 months from the reporting date)	34,000	60,000
Non-current assets (receivable after 12 months from the reporting date)	260,712	64,000
	294,712	124,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

13. LOANS RECEIVABLE *(continued)*

The collateral of these loans receivable provided by borrowers are as follows:

	At	At
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Promissory notes issued by a listed entity in Hong Kong	–	64,000
Convertible bonds issued by a listed entity in Hong Kong	60,000	60,000
Floating charge of the entire assets of the guarantor <i>(note 9)</i>	200,712	–
Unsecured	34,000	–
	294,712	124,000

The unsecured loans are guaranteed by listed entities in Hong Kong. The promissory notes and convertible bonds are held by the borrowers of the respective loans receivable.

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

	At	At
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Overdue	60,000	–
Between 3 months and 1 year	34,000	60,000
Between 1 and 5 years	200,712	64,000
	294,712	124,000

As at 30 June 2011, loans receivable, amounting to HK\$94,000,000 carry fixed interest rates at 8% to 9% per annum while a loan receivable, amounting to HK\$200,712,000, carries variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited.

As at 31 December 2010, loans receivables, carry fixed interest rates at 8% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

13. LOAN RECEIVABLES *(continued)*

Subsequent to the end of the reporting period, the Group entered into an agreement with the borrower of loan receivable of HK\$60,000,000 which is overdue as at 30 June 2011 to reschedule the repayment of the loan to August 2012 with additional collateral of the same convertible bonds issued by a listed entity in Hong Kong. The directors considered no impairment should be made since the value of the collateral is sufficient to cover the loan at the date of reschedule.

No impairment allowance is made for the remaining loans receivable which are neither past due nor impaired as at 30 June 2011 and 31 December 2010.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Interest receivable	15,434	5,718
Prepayments	2,100	1,794
Receivables from securities brokers	4,083	2,519
Receivable from disposal of a subsidiary	9,200	9,700
Others	839	1,745
	31,656	21,476
Less: Impairment allowance	(6,556)	–
	25,100	21,476

	Individual impairment allowance HK\$'000
Impairment allowance movement	
At 1 January and 31 December 2010	–
Charge during the period	6,556
At 30 June 2011	6,556

As at 30 June 2011, the receivable from disposal of a subsidiary amounted to HK\$9,200,000 was overdue and an impairment allowance of HK\$6,556,000 was made by the directors. The future cashflow expected to be collected under the receivable were estimated by reference to the listed shares pledged by the debtor as collateral.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

15. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of par value HK\$0.1 each		
As at 1 January 2010	300,000,000	300,000
Share subdivision (<i>note a</i>)	2,700,000,000	N/A
Increase in authorised share capital (<i>note a</i>)	2,000,000,000	200,000
As at 31 December 2010	5,000,000,000	500,000
Increase in authorised share capital (<i>note b</i>)	25,000,000,000	2,500,000
As at 30 June 2011	30,000,000,000	3,000,000
Issued and fully paid:		
Ordinary shares of par value HK\$0.1 each		
As at 1 January 2010	225,000,000	225,000
Share subdivision (<i>note a</i>)	2,025,000,000	N/A
Issue of ordinary shares (<i>note c</i>)	562,500,000	56,250
Shares placement on 23 December 2010 (<i>note d</i>)	1,135,000,000	113,500
Issue of shares upon conversion of convertible bonds (<i>note 16</i>)	47,200,358	4,720
As at 31 December 2010	3,994,700,358	399,470
Issue of shares upon conversion of convertible bonds (<i>note 16</i>)	345,904,249	34,590
Exercise of warrant (<i>note 17</i>)	10,000,000	1,000
As at 30 June 2011	4,350,604,607	435,060

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

15. SHARE CAPITAL *(continued)*

Note:

- (a) Pursuant to an extraordinary general meeting of the Company held on 10 February 2010, each of the issued and unissued shares of HK\$1.00 each in the share capital of the Company was subdivided into 10 shares (the "Share Subdivision") of HK\$0.10 each (the "Subdivided Shares"). Following the Share Subdivision, the authorised share capital of the Company was further increased from HK\$300,000,000 to HK\$500,000,000 by the creation of an additional 2,000,000,000 shares of HK\$0.10 each at the same extraordinary general meeting. The new shares rank *pari passu* in all respects with the existing issued shares of the Company.
- (b) Pursuant to an extraordinary general meeting of the Company held on 24 June 2011, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$3,000,000,000 by the creation of an additional 25,000,000,000 shares of HK\$0.10 each. The new shares shall rank *pari passu* in all respects with the existing issued shares of the Company.
- (c) On 5 May 2010, the Company allotted and issued 562,500,000 ordinary shares of HK\$0.1 each at a subscription price of HK\$0.1 per share to the existing qualifying shareholders on the basis of one offer share for every four existing shares (the "Open Offer") and 449,999,997 options to subscribe for convertible bonds in a principal amount of HK\$45,000,000 that can be convertible to the Company's shares with a conversion price of HK\$0.1 per share. The fair value of options for convertible bonds amounting to HK\$51.8 million, which was estimated after taking into account the market prices of the Company's ordinary shares, at issue date of the options, is recognised in equity and the difference between the deemed consideration received (which is nil) and fair value of the options to subscribe for convertible bonds is deducted from retained profits. The net proceeds of approximately HK\$54 million from the Open Offer issue, after deducting the issue expense of HK\$2.2 million, were used as general working capital of the Group. Details of the Open Offer are set out in a prospectus of the Company dated 15 April 2010.
- (d) On 28 December 2010, the Company allotted and issued 1,135,000,000 shares through placement at the price of HK\$0.11 per share. The total gross proceeds of the placement amounted to approximately HK\$124.85 million. The net proceeds from the placing, after the deduction of the placing commission and other related expenses, amounted to approximately HK\$121.73 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

16. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS AND CONVERTIBLE BONDS

Pursuant to the Open Offer, the Company issued 449,999,997 options to the subscribers of the offer shares conferring the rights to the holders of the options thereof to subscribe in cash for convertible bonds of the Company in the principal amount of HK\$45,000,000 of HK\$0.10 each at any time during the period from 5 May 2010 to 4 May 2011.

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

Volatility	101.24%
Share price of the Company	HK\$0.18 (<i>note</i>)
Expected life	1 year
Dividend yield	0%
Risk free rate	0.988%

Note: The share price of the Company was adjusted for the impact of the open offer.

During the period up to the maturity date, the convertible bond holders shall be able to convert, but not redeem the convertible bonds, in their entirety (and not in portions). The Company may, during the same period, unilaterally enforce redemption in its sole and absolute discretion, upon obtaining the written confirmation from the convertible bond holders, at 90% of the principal amount without interest. The convertible bonds are zero-coupon, denominated in Hong Kong dollars and will mature on 31 December 2012. 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.

Unless previously converted by the convertible bond holders before the maturity date, on the maturity date, the Company shall have the sole and absolute discretion to determine whether to redeem the convertible bonds on the maturity date at 100% of the principal amount of the convertible bonds or to issue ordinary shares of the Company to the convertible bond holders based on the conversion price of HK\$0.1 per share.

During the current period, 346,982,249 (year ended 31 December 2010: 47,793,618) options were exercised by the convertible bond option holders and the Company has issued convertible bonds in the principal amount of HK\$34,698,225 (year ended 31 December 2010: HK\$4,779,362) accordingly.

During the current period, convertible bonds in the principal amount of HK\$34,590,425 (year ended 31 December 2010: HK\$4,720,036) were converted into 345,904,249 (year ended 31 December 2010: 47,200,358) ordinary shares of HK\$0.1 each of the Company. At 30 June 2011, the Company had convertible bonds in the principal amount of HK\$167,126 (31 December 2010: HK\$59,326) outstanding and nil (31 December 2010: 402,206,379) outstanding options, the exercise in full of these options would result in further issuance of convertible bonds in the principal amount of nil (year ended 31 December 2010: HK\$40,220,638).

On 4 May 2011, the 55,224,130 options were lapsed upon expiry of exercise period and the remaining amount of HK\$6,352,328 was transferred to accumulated loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

17. WARRANTS

On 10 May 2010, the Company and Fortune (HK) Securities Limited entered into a placing agreement in respect of the placement of 562,000,000 warrants of the Company to independent investors at a price of HK\$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.10 each at a subscription price of HK\$0.18. Subsequently, the placing agent and the Company agreed to vary the warrant placing by terminating the warrant placing agreement dated 10 May 2010 and entering into a supplemental warrant placing agreement on 7 June 2010. Pursuant to the supplemental warrant placing agreement dated 7 June 2010, the exercise price was amended from HK\$0.18 to HK\$0.147 per warrant. The placement was completed on 22 June 2010 with the warrants expiring on 21 June 2012. Details of the above are set out in the Company's announcements dated 11 May 2010, 7 June 2010 and 22 June 2010.

During the current period, 10,000,000 warrants were exercised and 10,000,000 shares were issued.

18. DEFERRED TAXATION

The following are the major deferred tax recognised and movements thereon during the current and prior periods:

	Tax losses <i>HK\$'000</i>	Investment revaluation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010 and 1 July 2010	–	–	–
Credit to profit or loss	1,703	–	1,703
Charge to other comprehensive income	–	(1,703)	(1,703)
At 31 December 2010	1,703	(1,703)	–
Charge to profit or loss	(1,089)	–	(1,089)
Credit to other comprehensive expense	–	1,089	1,089
At 30 June 2011	614	(614)	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 HK\$'000	At 31 December 2010 HK\$'000
Within one year	1,256	788
Two to five years	880	–
	2,136	788

20. COMMITMENTS

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Commitments related to acquisition of a subsidiary contracted for but not provided in the consolidated financial statements (<i>Note 21</i>)	361,000	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

21. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement dated 25 February 2011, Wise Planner Limited, a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement with (i) Carbon Reserve Investments Limited, (ii) Newmargin Partners Ltd., (iii) Season Best Investments Limited, (iv) Cross Cone Holdings Limited, (v) Smart Promise Limited and (iv) SV Technology Company Limited (collectively refer as “vendors”) to acquire the entire share capital of Weldtech Technology Co. Limited (“Weldtech Technology”), a company incorporated in Hong Kong, at a consideration of HK\$2,800,000,000. Weldtech Technology is engaged in the provision of energy monitoring and energy saving solutions and urban facilities to reduce energy consumption and to enhance overall energy efficiency.

The consideration shall be satisfied by (i) HK\$231,000,000 by way of cash; (ii) HK\$1,650,000,000 by way of issue of the convertible notes with the conversion price of HK\$0.16 per conversion share; (iii) HK\$319,000,000 by way of issue of the promissory notes; and (iv) HK\$600,000,000 by way of allotment and issue of the consideration shares at the issue price of HK\$0.16 per consideration share. As at 30 June 2010, HK\$10,000,000 cash has been paid as deposit.

The completion of transaction is conditional upon, among others, the approval of the sales and purchase agreement, increase in authorised share capital of the Company by shareholders at the extraordinary general meeting, successful placement of shares based on the placing agreement acceptable to the vendors and the Company and the conditions mentioned in the sale and purchase agreement. It is estimated that the commission and professional fee in relation to the acquisition is approximately HK\$148,000,000 when the acquisition is completed.

Pursuant to the announcement dated 9 June 2011, the Company and the joint placing agents entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the joint placing agents on a best effort basis, up to 6,250,000,000 placing shares at minimum placing price of HK\$0.16 per share.

Pursuant to the announcement dated 20 July 2011, the Group and the vendor of the sale and purchase agreement entered into a supplemental agreement on 20 July 2011 to extend the very substantial acquisition’s long stop date from 30 June 2011 to 30 September 2011. On 20 July 2011, the Company and the joint placing agents entered into a supplemental agreement to extend the placing long stop date from 15 July 2011 to 30 September 2011.

The completion of the above acquisition transaction is conditional upon the fulfillment (or waiver, as the case may be) of the conditions precedent set out in the sale and purchase agreement and the placing agreement.

Since the acquisition is not completed at the time of the condensed consolidated financial information is authorised for issue, the directors are still in the progress of assessing the impact of the transaction and no reliable estimation can be made.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

TO THE BOARD OF DIRECTORS OF THE HONG KONG BUILDING AND LOAN AGENCY LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 21, which comprises the condensed consolidated statement of financial position of The Hong Kong Building And Loan Agency Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2011

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company with its subsidiaries principally engaged in loan financing and treasury investments.

During the six months ended 30 June 2011, the Group recorded an unaudited revenue of approximately HK\$18.4 million, representing an increase of approximately 122% as compared with HK\$8.3 million for the last corresponding period. An unaudited loss attributable to the equity holders of the Company of approximately HK\$29 million (2010: loss of HK\$29 million) was recorded.

Of the total revenue of approximately HK\$18.4 million, HK\$18.4 million (30 June 2010: HK\$8.2 million) was generated from the Group's loan financing business, which contributed a segment profit of approximately HK\$18.1 million (2010: HK\$8.0 million). Such increase in profit was mainly attributable to the increase in interest income on loan receivables.

With respect to the treasury investments, a segment loss of approximately HK\$24.9 million was recorded for the period under review, representing a decrease of approximately 19% as compared with HK\$30.6 million for the last corresponding period. As at 30 June 2011, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounted to approximately HK\$10.6 million and HK\$36.8 million (31 December 2010: approximately HK\$16.7 and HK\$28.2 million), respectively. Such decrease in loss was mainly attributable to the decrease in fair-value changes on financial assets at fair value through profit or loss.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group's cash and cash equivalents amounted to approximately HK\$22.4 million (31 December 2010: HK\$77.1 million) and did not have any borrowings (31 December 2010: Nil). The net assets and the net current assets of the Group amounted to approximately HK\$396 million (31 December 2010: HK\$394 million) and HK\$113 million (31 December 2010: HK\$185 million), respectively.

Gearing ratio of the Group as at 30 June 2011, which was calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was zero (31 December 2010: zero).

CAPITAL STRUCTURE

As at 30 June 2011, the Company's issued ordinary share capital was HK\$435,060,461 divided into 4,350,604,607 shares of HK\$0.1 each ("Share") (31 December 2010: HK\$399,470,036 divided into 3,994,700,358 Share).

As reported in the Annual Report 2010 of the Company, pursuant to the open offer of the Company in 2010, the Company issued a total of 449,999,997 options to the subscribers of the offer Shares ("Option(s)"). The Option holders are entitled to subscribe in cash for the zero-coupon convertible bonds of the Company during the period from 5 May 2010 to 4 May 2011 (the "Exercise Period") (collectively, "Convertible Bonds").

During the six months ended 30 June 2011, Convertible Bonds in an aggregate principal amount of HK\$34,698,225 were issued upon the exercises of subscription right attached to 346,982,249 Options, which raised net proceeds of approximately HK\$34,698,225; and 345,904,249 new Shares were issued upon the exercises of subscription right attached to Convertible Bonds in the aggregate principal amount of HK\$34,590,425. 5,522,413 Options that remained unexercised lapsed upon the expiry of the Exercise Period. As at 30 June 2011, the Company had Convertible Bonds in the principal amount of HK\$167,126 outstanding, of which the conversion in full at the initial conversion price of HK\$0.10 per conversion Share (subject to adjustment) would result in a further issuance of a maximum of 1,671,260 new Shares.

As at 30 June 2011, the Company had 552,000,000 non-listed warrants ("Warrants") outstanding. During the period under review, 10,000,000 new Shares were issued at the initial exercise price of HK\$0.147 upon the exercise of conversion right attached to 10,000,000 Warrants and net proceeds of approximately HK\$1.47 million were raised.

Pursuant to the Sale and Purchase Agreement and the Placing Agreement (as reported under the sections headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies" and "Fund Raising Activities" below), it was anticipated that 3,750,000,000 Consideration Shares, 10,312,500,000 conversion Shares (on the assumption of exercise in full of the conversion right attached to the Convertible Notes) and a maximum of 6,250,000,000 Placing Shares (if fully placed) would be issued by the Company upon the respective completions of the Acquisition and the Placing. Taking into account of the foregoing, as well as the Company's need for flexibility to issue new Shares for future investments and developments, the Board proposed the increase of authorized share capital of the Company from HK\$500,000,000 divided into 5,000,000,000 Shares to HK\$3,000,000,000 divided into 30,000,000,000 Shares by the creation of an additional 25,000,000,000 Shares at the extraordinary general meeting of the Company held on 24 June 2011 (the "EGM"). The same was approved by the shareholders of the Company (the "Shareholders") at the EGM. As at the date hereof, the Sale and Purchase Agreement and the Placing Agreement have not yet completed. For further details, please refer to the Company's circulars dated 31 May 2011 and 22 June 2011 and announcement of the Company dated 20 July 2011.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any charges on its assets and there had not been any contingent liabilities.

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 DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The sale and purchase agreement dated 23 February 2011 (as amended and supplemented by the supplemental agreement dated 21 April 2011, the second supplemental agreement dated 30 May 2011 and the third supplemental agreement dated 20 July 2011) was entered into by and between Wise Planner Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), Carbon Reserve Investments Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Season Best Investments Limited, Smart Promise Limited, SV Technology Company Limited (as the vendors, collectively, the "Vendors"), Mr. Wong Ho Yuen, Mr. Wu Gang (the "SV Technology Guarantors") and the Company (as the Purchaser's guarantor) (collectively, the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the entire issued share capital of Weldtech Technology Co. Limited ("Weldtech Technology") at a total consideration of HK\$2,800,000,000 (the "Consideration") (collectively, the "Acquisition"). The Consideration is to be satisfied upon the completion of the Acquisition (i) as to HK\$231,000,000 (the "Cash Consideration", HK\$10,000,000 of the Consideration has been paid by the Company to SV Technology Company Limited (being one of the vendors of the Acquisition) as the refundable deposit and part payment of the Consideration for the Acquisition) by way of cash payable to SV Technology; (ii) as to HK\$1,650,000,000 by way of issue of the convertible notes (with the conversion price of HK\$0.16 per conversion share) to the Vendors ("Convertible Notes"); (iii) as to HK\$319,000,000 by way of issuance of the promissory notes to the Vendors (other than SV Technology); and (iv) as to HK\$600,000,000 by way of allotment and issuance of the consideration Shares (at the issue price of HK\$0.16 per consideration Share) to the Vendors ("Consideration Shares").

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES *(continued)*

Weldtech Technology holds the entire equity interest in 日滔貿易(上海)有限公司, a wholly foreign-owned enterprise established in the People's Republic of China (the "PRC") (the "WFOE") (Weldtech Technology together with the WFOE referred to as the "Weldtech Group"). Pursuant to the business licence of the WFOE, the business scope of the WFOE, among others, includes wholesale of cooling systems, mechanical and electrical products, construction materials and fitting out materials (excluding concrete and steel), building's exterior metal-made products and building's energy-saving and consultancy services. According to the Vendors, the WFOE would provide energy monitoring and energy-saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption, and to enhance overall energy efficiency of central air-conditioning system via its proprietary ultra performance plant control ("UPPC") system and other components.

An initial referral agreement was entered into on 17 December 2010 in connection with the Sale and Purchase Agreement by and between Merit Leader Asia Limited ("the Referral Agent") and the Purchaser, in relation to the referral services which include, among others, that the Referral Agent to search for acquisition targets in the PRC for the Company and assist the Company in negotiation with the potential vendors of the acquisition targets. The first supplemental agreement and the second supplemental agreement were subsequently entered into by and between the same parties on 19 April 2011 and 28 April 2011, respectively, thereby the parties agreed that the referral fee for the referral services at the rate of 5% of the Consideration (the "Referral Fee") (equivalent to HK\$140,000,000) shall be payable by the Company to the Referral Agent upon completion of the Acquisition. Further, for any reasons the Acquisition cannot be completed, the Purchaser is under no obligation to pay any Referral Fee to the Referral Agent (collectively, the "Referral Agreement").

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. The Sale and Purchase Agreement and the Referral Agreement were approved by the Shareholders at the extraordinary general meeting of the Company held on 24 June 2011. Upon completion, the Weldtech Group will become wholly-owned subsidiaries of the Company. As at the date hereof, the Acquisition has not yet completed. For further details, please refer to the announcements of the Company dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011 and 20 July 2011 and the circular of the Company dated 31 May 2011.

FUND RAISING ACTIVITIES

The Company, in anticipation of the funding requirement for the cash consideration, business development and working capital requirement of the Weldtech Group and/or other future potential investment and business opportunities of the Group, entered into a placing agreement on 9 June 2011 (as amended and supplemented by the supplemental agreement dated 20 July 2011) (the “Placing Agreement”) with Deutsche Bank AG (Hong Kong Branch), Piper Jaffray Asia Limited, China Merchants Securities (HK) Co., Limited and China Everbright Capital Limited (the “Joint Placing Agents”). Pursuant to the Placing Agreement, the Joint Placing Agents have conditionally agreed to place up to a total of 6,250,000,000 new Shares (the “Placing Shares”) on a best-effort basis to more than six places at not less than HK\$0.16 per Placing Share (the “Placing Price”) (collectively, the “Placing”). The Joint Placing Agents will be entitled to a placing fee of 3% of the total Placing Price of the aggregate Placing Shares actually placed. Deutsche Bank has also been appointed as a sole global coordinator of the Placing and shall be entitled to an additional US\$1 million provided completion of the Placing has taken place.

Assuming all Placing Shares are successfully placed, based on the minimum Placing Price of HK\$0.16 per Placing Share, the gross proceeds from the Placing will be approximately HK\$1,000 million and the net proceeds from the Placing will amount to approximately HK\$958 million, which is intended to be used as for settlement of the Cash Consideration for the Acquisition, settlement of the Referral Fee pursuant to the Referral Agreement; working capital for the rollout of business of the enlarged group (being the Group upon completion of the Acquisition) (the “Enlarged Group”) and for general working capital of the Enlarged Group including, among others, administrative and daily operation expenditures. In the event that the final Placing Price is fixed at a price higher than the minimum Placing Price of HK\$0.16 per Placing Share, the Directors will apply the entire additional proceeds as the working capital required for the rollout of business of the Enlarged Group in stage 2 as detailed in the circular of the Company dated 22 June 2011. As at the date hereof, the Placing is not yet completed. For further details, please refer to the announcements of the Company dated 9 June 2011 and 20 July 2011 and the circular of the Company dated 22 June 2011.

Furthermore, as reported under the section headed “Capital Structure” above, during the period under review, net proceeds of approximately HK\$34.7 million and HK\$1.47 million were raised from the exercises of the Options and the issuance of 10,000,000 new Shares upon the exercise of conversion right attached to 10,000,000 Warrants. Such net proceeds were fully applied to the Group’s general working capital as intended.

As at 30 June 2011, there were 552,000,000 Warrants outstanding, each of which entitled the holder thereof to subscribe for one ordinary share of the Company at an initial warrant exercise price of HK\$0.147 per share (subject to adjustment) during a period of 24 months commencing from the date of issuance of the Warrants. On this basis, further net proceeds of up to a maximum of approximately HK\$81 million may be raised in the future from the issuance of new Shares upon the exercise in full (if occurs) of the subscription rights attached to such Warrants.

SIGNIFICANT INVESTMENTS HELD

Save as reported in section “Business Review” above, as at 30 June 2011, the Group held no other significant investments.

STAFF AND REMUNERATION

As at 30 June 2011, the Group had 9 (2010: 10) employees and total staff costs incurred during the period under review amounted to approximately HK\$1.17 million (2010: approximately HK\$1.89 million). The Group offers competitive remuneration packages to its employees.

EVENTS AFTER THE REPORTING PERIOD

On 20 July 2011, the parties to the Sale and Purchase Agreement entered into a supplemental agreement in relation to the extension of the long stop date of the Acquisition from 6:00 p.m. on 30 June 2011 to 6:00 p.m. on 30 September 2011 or such other date as the Purchaser and the Vendors may agree in writing; and the Company and the Joint Placing Agents entered into a supplemental agreement in relation to the extension of the long stop date of the Placing from 15 July 2011 to 30 September 2011 or such other time(s) and date(s) as the Company and the Joint Placing Agents shall agree in writing. As at the date hereof, the Acquisition and the Placing have not yet completed.

OUTLOOK AND PROSPECT

It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value to the Shareholders. In this connection, the Company has identified the Weldtech Group as an appropriate acquisition target to the Group and is of the view that the Acquisition would allow the Group to diversify into a new line of business with significant growth potential. Upon completion of the Acquisition, the Weldtech Group will serve as a platform for the Enlarged Group to enter into the energy-saving industry and flagship of carbon reduction across the PRC.

The Directors are of the view that the energy-saving industry as set out in The 12th Five-Year Plan announced by the PRC government in October 2010 is expected to be one of the seven strategic emerging industries to be developed. Also, the potential increase in energy fee provides companies more momentum to procure energy-saving services. According to the “Category of National Promotion on Important Energy Saving Technologies – 1, 2, and 3” announced by the National Development and Reform Commission of the PRC (“NDRC”), several heating ventilation and air-conditioning (“HVAC”) energy-saving technologies including UPPC system, the implementations of which are expected to be granted financial subsidies. HVAC energy consumption occupies a large proportion in commercial buildings and industrial plants in the PRC. Meanwhile, improving social energy-saving awareness sets more opportunities for HVAC energy-saving retrofit. After taking into account of the above and the continuous and steady economic growth in the PRC, the commitment by the PRC government to the reduction of carbon emission, the incentive provided by the PRC government for using environmental friendly products, the Directors are optimistic over the future demand of UPPC and the industry in which the Weldtech Group operates.

The Acquisition will introduce an additional business line to the Group and the Group will continue to maintain its existing business; namely, the treasury investments and the provision of loan finance, with a view to generate a steady revenue stream for the Company.

DIRECTORS' INTERESTS

As at 30 June 2011, none of the directors or chief executive of the Company, or their respective associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”).

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

As at 30 June 2011, to the best knowledge of the Directors, persons, other than a director or chief executive of the Company, who had interests or short positions 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	Total number of the Shares & underlying Shares	Approximate percentage of share capital in issue of the Company
CGI (HK) Limited (<i>Note 2</i>)	Beneficial owner	554,000,000 (L)	–	554,000,000 (L)	12.73%
CGI (Offshore) Limited (<i>Note 2</i>)	Interest in controlled corporation	554,000,000 (L)	–	554,000,000 (L)	12.73%
Chinese Global Investors Group Limited (<i>Note 2</i>)	Interest in controlled corporation	554,000,000 (L)	–	554,000,000 (L)	12.73%
Liang Gui Lian (<i>Note 3</i>)	Interest in controlled corporation	273,125,000 (L)	43,700,000 (L)	316,825,000 (L)	7.28%
Express Advantage Limited (<i>Note 3</i>)	Beneficial owner	273,125,000 (L)	43,700,000 (L)	316,825,000 (L)	7.28%
Best Leader Asia Investment Limited (<i>Note 3</i>)	Interest in controlled corporation	273,125,000 (L)	43,700,000 (L)	316,825,000 (L)	7.28%
Ni Rong Kun	Beneficial owner	273,125,000 (L)	43,700,000 (L)	316,825,000 (L)	7.28%
Newmargin Partners Ltd. (<i>Note 4</i>)	Beneficial owner	375,000,000 (L)	1,031,250,000 (L)	1,406,250,000 (L)	32.32%
Zhuang Yan (<i>Note 4</i>)	Interest in controlled corporation	375,000,000 (L)	1,031,250,000 (L)	1,406,250,000 (L)	32.32%
Cross Cone Holdings Limited (<i>Note 5</i>)	Beneficial owner	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
Xu Yedong (<i>Note 5</i>)	Interest in controlled corporation	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%

Name	Capacity	Number of Shares		Number of underlying Shares		Total number of the Shares & underlying Shares		Approximate percentage of share capital in issue of the Company
SV Technology Company Limited (Note 6)	Beneficial owner	1,575,000,000	(L)	4,331,250,000	(L)	5,906,250,000	(L)	135.76%
JCW Technology Company Limited (Note 6)	Interest in controlled corporation	1,575,000,000	(L)	4,331,250,000	(L)	5,906,250,000	(L)	135.76%
Wu Gang (Note 6)	Interest in controlled corporation	1,575,000,000	(L)	4,331,250,000	(L)	5,906,250,000	(L)	135.76%
Wong Ho Yuen (Note 6)	Interest in controlled corporation	1,575,000,000	(L)	4,331,250,000	(L)	5,906,250,000	(L)	135.76%
Chong Yan Ling (Note 6)	Interest in controlled corporation	1,575,000,000	(L)	4,331,250,000	(L)	5,906,250,000	(L)	135.76%
Smart Promise Limited (Note 7)	Beneficial owner	862,500,000	(L)	2,371,875,000	(L)	3,234,375,000	(L)	74.34%
Cheng Lut Tim (Note 7)	Interest in controlled corporation	862,500,000	(L)	2,371,875,000	(L)	3,234,375,000	(L)	74.34%
Carbon Reserve Investments Limited (Note 8)	Beneficial owner	562,500,000	(L)	1,546,875,000	(L)	2,109,375,000	(L)	48.48%
中國節能環保集團公司 (Note 8)	Beneficial owner	562,500,000	(L)	1,546,875,000	(L)	2,109,375,000	(L)	48.48%
Season Best Investments Limited (Note 9)	Nominee for another person (other than a bare trustee)	187,500,000	(L)	515,625,000	(L)	703,125,000	(L)	16.16%
CCB International Asset Management Limited (Note 9)	Interest in controlled corporation	187,500,000	(L)	515,625,000	(L)	703,125,000	(L)	16.16%
CCB International Assets Management (Cayman) Limited (Note 9)	Interest in controlled corporation	187,500,000	(L)	515,625,000	(L)	703,125,000	(L)	16.16%
CCB International (Holdings) Limited (Note 9)	Beneficial owner	187,500,000	(L)	515,625,000	(L)	703,125,000	(L)	16.16%
CCB Financial Holdings Limited (Note 9)	Interest in controlled corporation	187,500,000	(L)	515,625,000	(L)	703,125,000	(L)	16.16%
CCB International Group Holdings Limited (Note 9)	Interest in controlled corporation	187,500,000	(L)	515,625,000	(L)	703,125,000	(L)	16.16%
China Construction Bank Corporation (Note 9)	Interest in controlled corporation	187,500,000	(L)	515,625,000	(L)	703,125,000	(L)	16.16%
Central Huijin Investment Limited (Note 9)	Interest in controlled corporation	187,500,000	(L)	515,625,000	(L)	703,125,000	(L)	16.16%

(L) denotes long position in Shares and/or underlying Shares

Notes:

- (1) Based on the number of 4,350,604,607 shares of HK\$0.1 each ("Share") of the Company in issue as at 30 June 2011.
- (2) 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), a company listed on the Catalist Board of Singapore Exchange 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.
- (3) These Shares comprise (i) 273,125,000 Shares and (ii) unlisted physically settled derivatives that may be converted into a maximum of 43,700,000 Shares. Express Advantage Limited ("Express Advantage") is owned as to 80% by Best Leader Asia Investment Limited ("Best Leader"), which is in turn wholly-owned by Liang Gui Lian. Accordingly, each of Best Leader and Liang Gui Lian was taken to be interested in such securities of the Company in which Express Advantage was interested.
- (4) These Shares comprise (i) 375,000,000 consideration shares at the issue price of HK\$0.16 per consideration Share (the "Consideration Share") to be allotted and issued to Newmargin Partners Ltd. ("Newmargin") and (ii) the 1,031,250,000 conversion shares to be allotted and issued to Newmargin upon the exercise of the conversion rights attached to the convertible notes with the conversion price of HK\$0.16 per conversion Shares (the "Convertible Notes") (collectively, the "Conversion Shares") to be issued by the Company to Newmargin under the sale and purchase agreement dated 23 February 2011 (as amended and supplemented by the supplemental agreement dated 21 April 2011, the second supplemental agreement dated 30 May 2011 and the third supplemental agreement dated 20 July 2011) (the "Sale and Purchase Agreement"). As at the date of this report, the above-mentioned Consideration Shares and Convertible Notes have not been issued to Newmargin and Newmargin was not a shareholder of the Company (the "Shareholder") as the transactions under the Sale and Purchase Agreement had not been completed.

Newmargin is wholly-owned by Zhuang Yan. Accordingly, Zhuang Yan is taken to be interested in such securities of the Company in which Newmargin was interested.

- (5) These Shares comprise (i) 187,500,000 Consideration Shares to be allotted and issued to Cross Cone Holdings Limited ("Cross Cone") and (ii) the 515,625,000 Conversion Shares to be allotted and issued by the Company to Cross Cone upon the exercise of the conversion rights attached to the Convertible Notes to be issued to Cross Cone under the Sale and Purchase Agreement. As at the date of this report, the above-mentioned Consideration Shares and Convertible Notes have not been issued to Cross Cone and Cross Cone was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed.

Cross Cone is wholly-owned by Xu Yedong. Accordingly, Xu Yedong is taken to be interested in such securities of the Company in which Cross Cone was interested.

- (6) These Shares comprise (i) 1,575,000,000 Consideration Shares to be allotted and issued to SV Technology Company Limited ("SV Technology") and (ii) the 4,331,250,000 Conversion Shares to be allotted and issued to SV Technology upon the exercise of the conversion rights attached to the Convertible Notes to be issued by the Company to SV Technology under the Sale and Purchase Agreement. As at the date of this report, the above-mentioned Consideration Shares and Convertible Notes have not been issued to SV Technology and SV Technology was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed.

SV Technology is owned as to 52.5% by JCW Technology Company Limited ("JCW Technology"), and 30.5% by Wu Gang. Accordingly, each of JCW Technology and Wu Gang is taken to be interested in such securities of the Company in which SV Technology was interested.

JCW Technology is owned as to 60% Wong Ho Yuen and 40% by Chong Yan Ling. Accordingly, each of Wong Ho Yuen and Chong Yan Ling is taken to be interested in such securities of the Company in which JCW Technology was interested.

- (7) These Shares comprise: (i) 862,500,000 Consideration Shares to be allotted and issued to Smart Promise Limited (“Smart Promise”); and (ii) 2,371,875,000 Conversion Shares to be allotted and issued to Smart Promise upon the exercise of the conversion rights attached to the Convertible Notes to be issued by the Company to Smart Promise under the Sale and Purchase Agreement. As at the date of this report, the above-mentioned Consideration Shares and Convertible Notes have not been issued to Smart Promise and Smart Promise was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed.

Smart Promise is owned as to 60.88% by Cheng Lut Tim. Accordingly, Cheng Lut Tim is taken to be interested in such securities of the Company in which Smart Promise was interested.

- (8) These Shares comprise (i) 562,500,000 Consideration Shares to be allotted and issued to Carbon Reserve Investments Limited (“Carbon Reserve”); and (ii) 1,546,875,000 Conversion Shares to be allotted and issued to Carbon Reserve upon the exercise of the conversion rights attached to the Convertible Notes to be issued by the Company to Carbon Reserve under the Sale and Purchase Agreement. As at the date of this report, the above-mentioned Consideration Shares and Convertible Notes have not been issued to Carbon Reserve and Carbon Reserve was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed.

Carbon Reserve is wholly-owned by China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited, which is in turn wholly-owned by 中國節能環保集團公司. Accordingly, each of China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited and 中國節能環保集團公司 is taken to be interested in such securities of the Company in which Carbon Reserve was interested.

- (9) These Shares comprise: (i) 187,500,000 Consideration Shares to be allotted and issued to Season Best Investments Limited (“Season Best”); and (ii) 515,625,000 Conversion Shares to be allotted and issued to Season Best upon the exercise of the conversion rights attached to the Convertible Notes to be issued by the Company to Season Best under the Sale and Purchase Agreement. As at the date of this report, the above-mentioned Consideration Shares and Convertible Notes have not been issued to Season Best and Season Best was not a Shareholder as the transactions under the Sale and Purchase Agreement had not been completed.

Season Best is wholly-owned by CCB International Asset Management Limited, which is in turn wholly-owned by CCB International Assets Management (Cayman) Limited, which is in turn wholly-owned by CCB International (Holdings) Limited, which is in turn wholly-owned by CCB Financial Holdings Limited, which is in turn wholly-owned by CCB International Group Holdings Limited, which is in turn wholly-owned by China Construction Bank Corporation, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, which is in turn owned as to approximately 57.09% by Central Huijin Investment Limited. Accordingly, each of CCB International Asset Management Limited, CCB International Assets Management (Cayman) Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Limited is taken to be interested in such securities of the Company in which Season Best was interested.

SHARE OPTION SCHEME

On 22 May 2008, the Company adopted a share option scheme (the “Share Option Scheme”), pursuant to which the Board may, at its discretion, grant options to the eligible participants (as defined in the Share Option Scheme) including employees, directors, shareholders and other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

During the six months ended 30 June 2011, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme. As at 30 June 2011, there was no option outstanding under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company applied the principles of and complied with the code provisions of the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for the separation of the roles of Chairman and Chief Executive Officer (“CEO”). The functions of the CEO are performed by the executive Directors. They are responsible for the executive management of the Company’s operations.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All the directors of the Company have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE REVIEW

The Group’s interim results for the six months ended 30 June 2011 have been reviewed by the audit committee of the Company.

Further, the interim results for the six months ended 30 June 2011 are unaudited, but have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants.

CHANGES OF DIRECTORS' INFORMATION UNDER LISTING RULE 13.51B(1)

Below are the changes of directors' information required to be disclosed pursuant to Listing Rules 13.51B(1):

On 14 April 2011, Mr. Lam Kwok Hing, Wilfred ("Mr. Lam"), an independent non-executive director of the Company, was appointed as an independent non-executive director, a member of the audit committee and remuneration committee of PME Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 8 July 2011, Mr. Lam has resigned as a senior associate of Philip KH Wong, Kennedy YH Wong & Co., Solicitors & Notaries. On 17 August 2011, Mr. Lam was appointed as an executive director and group vice president of Hong Kong Resources Holdings Company Limited, a company listed on the Main Board of the Stock Exchange.

On 27 May 2011, Mr. Ng Cheuk Fan, Keith, an independent non-executive director of the Company, has resigned as an executive director of New Environmental Energy Holdings Limited, a company listed on the Main Board of the Stock Exchange.

On 1 August 2011, Mr. Yeung Wai Hung, Peter, an independent non-executive director of the Company, has resigned as an independent non-executive director, a member of the audit committee and remuneration committee of ROJAM Entertainment Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Au Tin Fung
Executive Director

Hong Kong, 30 August 2011