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

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 together with the unaudited comparative figures for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**4,853**	17,024
Cost of operation		**(3,080)**	(10,477)
Gross profit		**1,773**	6,547
Other income	*5*	**1,147**	1,155
Other gains and losses	*6*	**220**	1,944
Fair value changes on financial assets at fair value through profit or loss		**–**	(108)
Gain on disposal of subsidiaries		**–**	40,993
Selling expenses		**(1,399)**	(963)
Administrative and operating expenses		**(37,061)**	(39,529)
(Loss)/profit from operations		**(35,320)**	10,039
Finance costs	*7*	**(43,631)**	(41,095)
Loss before taxation	*8*	**(78,951)**	(31,056)
Taxation	*9*	**9,997**	9,397
Loss for the period		**(68,954)**	(21,659)

	Notes	Six months ended 30 June **2017** ***HK$'000*** **(Unaudited)**	 2016 *HK$'000* (Unaudited)
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Loss on revaluation of available-for-sale financial assets		**(508)**	–
Exchange differences arising on translation of foreign operations		**1,919**	68
Other comprehensive income for the year, net of tax		**1,411**	68
Total comprehensive loss for the period, net of tax		**(67,543)**	(21,591)
Loss for the period attributable to owners of the Company		**(68,954)**	(21,659)
Total comprehensive loss for the period attributable to owners of the Company		**(67,543)**	(21,591)
Loss per share	*11*		
– Basic and diluted, HK cents		**(3.05)**	(1.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Non-current assets			
Intangible assets		**724,179**	751,421
Property, plant and equipment		**847**	1,143
Construction in progress		**21,932**	2,201
Goodwill		**498,579**	498,579
Available-for-sale financial assets		**11,374**	11,047
Finance lease receivables		**12,427**	14,291
		1,269,338	1,278,682
Current assets			
Inventories		**659**	648
Trade and bills receivables	*12*	**1,089**	2,271
Prepayments, deposits and other receivables		**2,235**	1,234
Finance lease receivables		**9,606**	8,997
Amounts due from customers under construction contracts		**1,900**	693
Cash and bank balances		**101,961**	34,360
		117,450	48,203
Current liabilities			
Trade and other payables	*13*	**7,244**	11,447
Amounts due to shareholders		**26**	1,790
Convertible bonds		**–**	30,883
Financial liabilities derivatives		**–**	419
		7,270	44,539
Net current assets		**110,180**	3,664
Total assets less current liabilities		**1,379,518**	1,282,346

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
Non-current liabilities			
Convertible bonds		**468,881**	435,173
Promissory notes		**102,764**	95,660
Deferred tax liabilities		**187,213**	197,210
		758,858	728,043
Net assets		**620,660**	554,303
Capital and reserves			
Share capital		**1,344,398**	1,210,498
Reserves		**(723,738)**	(656,195)
Total equity		**620,660**	554,303

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (the "**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016 as contained in the Company's annual report 2016, 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 18 August 2017.

The financial information relating to the financial year ended 31 December 2016 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 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2. 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:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

3. SEGMENT INFORMATION

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

(a) design and provision of energy saving solutions

(b) loan financing

(c) treasury investments

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

Segments revenue and results

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Unallocated		Consolidated	
	For the six months ended 30 June									
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover										
External sales	**–**	4	**–**	–	**4,853**	17,020	**–**	–	**4,853**	17,024
Results										
Segment results	**–**	4	**–**	(108)	**(30,710)**	(26,446)	**–**	–	**(30,710)**	(26,550)
Unallocated corporate expenses							**(4,830)**	(6,348)	**(4,830)**	(6,348)
Other gains and losses							**220**	1,944	**220**	1,944
Gain on disposal of subsidiaries							**–**	40,993	**–**	40,993
Finance costs	**–**	–	**–**	–	**–**	–	**(43,631)**	(41,095)	**(43,631)**	(41,095)
Loss before taxation									**(78,951)**	(31,056)
Taxation									**9,997**	9,397
Loss for the period									**(68,954)**	(21,659)

Revenue reported was generated from external customers. There were no inter-segment sales during the six months ended 30 June 2017 and 2016.

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

Segment assets and liabilities

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Consolidated	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016	**30 June 2017**	31 December 2016	**30 June 2017**	31 December 2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Assets								
Segment assets	**–**	–	**–**	–	**1,372,579**	1,313,283	**1,372,579**	1,313,283
Unallocated corporate assets							**14,209**	13,602
							1,386,788	1,326,885
Liabilities								
Segment liabilities	**–**	–	**–**	–	**2,230**	6,466	**2,230**	6,466
Unallocated corporate liabilities							**763,898**	766,116
							766,128	772,582

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

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

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

4. REVENUE

Revenue represents income from loan financing and 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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loan financing:		
Interest on loan receivables	**–**	4
Design and provision of energy saving solutions:		
Sale of goods	**4,821**	10,512
Sale of goods under finance lease	**–**	6,508
Repair and maintenance service fee income	**32**	–
	4,853	17,020
	4,853	17,024

5. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**11**	56
Interest income on finance lease receivables	**1,102**	1,050
Others	**34**	49
	1,147	1,155

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Fair value changes on financial liabilities derivatives	**419**	1,944
Loss on redemption of convertible bonds	**(199)**	–
	220	1,944

7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Imputed interest on promissory notes	**7,104**	7,131
Imputed interest on convertible bonds	**36,527**	33,964
	43,631	41,095

8. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs (including Directors' remuneration):		
– Directors' fee	**1,646**	1,320
– Salaries, bonus and wages	**3,495**	4,778
– Contribution to retirement benefits schemes	**319**	609
	5,460	6,707
Amortisation of intangible assets	**27,242**	27,242
Cost of inventories sold	**3,080**	10,447
Depreciation of property, plant and equipment	**237**	443
Operating lease payments	**441**	1,777
Loss on disposal of property, plant and equipment	**94**	–
Exchange loss	**26**	–

9. TAXATION

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Deferred taxation		
Credit for the period	**(9,997)**	(9,397)

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 2017 (six months ended 30 June 2016: Nil).

10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: 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	
	2017	2016
	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	**(68,954)**	(21,659)

	Six months ended 30 June	
	2017	2016
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,264,026**	1,922,087

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 2017 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect.

12. TRADE AND BILLS RECEIVABLES

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**1,089**	1,784
Bills receivables	**–**	487
	1,089	2,271

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**813**	1,784
91 – 180 days	**276**	–
	1,089	1,784

According to the credit rating of different customers, the Group allows average credit term of 90 days to its customers. No trade receivables are past due but not impaired for the period ended 30 June 2017 and for the year ended 31 December 2016.

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

13. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**689**	1,219
Accrued service fee for acquisition of a subsidiary	**3,871**	3,871
Accrued expenses	**1,740**	2,562
Receipt in advance	**94**	1,738
Interest payables	**–**	1,080
Other payables	**850**	977
	7,244	11,447

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**673**	585
91 to 180 days	**–**	17
181 to 365 days	**16**	71
Over 365 days	**–**	546
	689	1,219

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the six months ended 30 June 2017, the Group recorded an unaudited revenue of approximately HK$4,853,000, representing a decrease of approximately 71.5% as compared with approximately HK$17,024,000 for the last corresponding period. An unaudited loss attributable to the owners of the Company of approximately HK$68,954,000 (2016: loss of approximately HK$21,659,000) was recorded which was mainly attributable to: (i) amortisation of intangible assets of HK$27,242,000 (2016: HK$27,242,000); and (ii) finance costs of approximately $43,631,000 (2016: approximately HK$41,095,000) due to interest amortisation of convertible bonds and promissory note. The increase in loss was mainly due to an one-off gain of approximately HK$40,993,000 on disposal of subsidiaries during the six months ended 30 June 2016 while there was no disposal of subsidiaries during the six months ended 30 June 2017.

With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK$30,710,000 was recorded for the six months ended 30 June 2017 (2016: loss of approximately HK$26,446,000). The segment loss was mainly attributable to (i) the decrease in revenue by approximately HK$12,167,000 (2017: HK$4,853,000; 2016: HK$17,020,000) and (ii) the amortisation of intangible assets of HK$27,242,000 (2016: HK$27,242,000).

With respect to the segment of loan financing business, approximately HK$4,000 was generated from the Group's loan financing business which contributed a segment gain of approximately HK$4,000 for the six months ended 30 June 2016. During the six months ended 30 June 2017, due to the volatile market conditions, the Group was unable to identify new loan projects commanding the target risk and return profile to replenish the loan portfolio of the Group.

With respect to the segment of treasury investments, a segment loss of approximately HK$108,000 was recorded for the six months ended 30 June 2016. The loss recorded during the six months ended 30 June 2016 for the treasury investments segment was mainly attributable to the decrease in the share prices of the equity securities held for investments. Such held-for-trading investments were disposed through disposal of a subsidiary during the year ended 31 December 2016.

During the six months ended 30 June 2017, the Group has acquired 450,000 shares of CIAM Capital Management Limited ("**CIAMC**") which represent approximately 9% of the entire issued equity interest in CIAMC at the consideration of approximately HK$835,000. Such investment has been accounted for under "available-for-sale financial assets" in the condensed consolidated statement of financial position. CIAMC is a licensed corporation under the Hong Kong Securities and Futures Ordinance to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities in Hong Kong. The Company has identified CIAMC as an ideal platform to expand the Group's presence in the asset management market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's cash and bank balances amounted to approximately HK$101,961,000 (31 December 2016: approximately HK$34,360,000), and it had outstanding convertible bonds of approximately HK$468,881,000 (31 December 2016: approximately HK$466,056,000) and promissory notes of approximately HK$102,764,000 (31 December 2016: approximately HK$95,660,000). The net assets and the net current assets of the Group amounted to approximately HK$620,660,000 (31 December 2016: approximately HK$554,303,000) and approximately HK$110,180,000 (31 December 2016: approximately HK$3,664,000), respectively.

The gearing ratio of the Group as at 30 June 2017, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 0.43 (31 December 2016: 0.49).

CAPITAL STRUCTURE

As at 30 June 2017, the Company's number of issued ordinary shares was 2,306,502,816 ("**Share(s)**") (as at 31 December 2016: 1,922,086,816 Shares).

On 20 January 2017, the Company has completed placing of 384,416,000 new Shares at the placing price of HK$0.36 per share. For further details, please refer to “Fund Raising Activities” section of this announcement.

On 14 June 2017, the Company had principal amount of HK$33,000,000 convertible bonds 2015 (the “**CB 2015**”) outstanding which have been redeemed on its maturity date plus accrued interest. During the six months ended 30 June 2017, no new Shares were issued from the conversion of CB 2015.

As at 30 June 2017, 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 2017, no new Shares were issued from the conversion of CB A.

As at 30 June 2017, 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 2017, no new Shares were issued from the conversion of CB B.

CAPITAL COMMITMENT

As at 30 June 2017, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK$14,382,000 (31 December 2016: approximately HK$52,000).

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any charges on its assets (31 December 2016: Nil) and did not have material contingent liabilities (31 December 2016: Nil).

FOREIGN CURRENCY EXPOSURE

The Group conducts its business transactions mainly in Hong Kong Dollar and Renminbi. As the Hong Kong Dollar is pegged to the U.S. Dollar, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the fluctuations of Renminbi. The Group has not entered into any significant foreign exchange contract. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

Save as disclosed in the section headed "Business Review", there were no material investments, acquisitions or disposals of subsidiaries during the six months ended 30 June 2017.

FUND RAISING ACTIVITIES

On 29 December 2016, the Company entered into a placing agreement ("**Placing Agreement**") with RHB Securities Hong Kong Limited ("**RHB**") as the placing agent pursuant to which the Company agreed to place through RHB, on a best-effort basis, an aggregate of up to 384,416,000 new shares at the placing price of HK$0.36 per placing share.

On 11 January 2017, the Company entered into a supplemental agreement ("**Supplemental Agreement**") with RHB pursuant to which the Company and RHB agreed to amend the Placing Agreement to remove the requirement that each placee shall not become a substantial shareholder of the Company as a result of the placing.

Completion of the placing took place on 20 January 2017 and a total of 384,416,000 new Shares have been successfully placed to a placee who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**")) immediately prior to the completion of the placing.

The gross proceeds from the placing were approximately HK$138,400,000 and the net proceeds after deducting all relevant expenses were approximately HK$133,900,000, which the Company intends to utilize for (i) general working capital of the Group; (ii) repayment of existing indebtedness; and/or (iii) possible investments in the future.

For further details, please refer to the announcements of the Company dated 29 December 2016, 11 January 2017 and 20 January 2017.

STAFF AND REMUNERATION

As at 30 June 2017, the Group had 43 (2016: 38) employees and total staff costs incurred during the period under review amounted to approximately HK$5,460,000 (2016: approximately HK$6,707,000). 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 2017 (2016: Nil).

LITIGATION

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

OUTLOOK AND PROSPECT

The Group is facing intensified competition in the energy saving industry during the period, particularly for small and medium-sized projects.

Due to the increasing awareness of the energy saving, social responsibility and also the determination to reduce carbon emission, the energy saving and environmental protection remain the key focus of the PRC government. Following the strategy to focus on sizeable enterprises and conglomerates, the Weldtech Group has successfully secured projects with these corporations during the period. Most of these new projects are in implementation and construction stage. It is expected that such projects will be completed and recognised as revenue in the 2nd half of the year.

The Group will continue to target these sizeable enterprises and conglomerates with a view of securing a more steady and sizeable project pipeline for the Company, while enhancing the portfolio of our energy saving solutions to maximize the potential of our customers on top of the existing UPPC System and air conditioning solutions.

During this period, the Company has acquired approximately 9% equity interest in CIAMC, a licensed corporation, as a first step to explore and extend the asset management market. Furthermore, the Group will continue to seek for different potential 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 fundraising to finance the development of the Group's businesses.

EVENTS AFTER THE REPORTING PERIOD

Change of Registered Office

The registered office of the Company has been changed to Unit 2305, 23/F., Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong with effect from 14 July 2017, and the telephone and facsimile contact numbers of the Company has been changed to 2728 3029 and 2728 3339 respectively on the same date.

Resignation of Independent Non-executive Director

Mrs. Chu Ho Miu Hing ("**Mrs. Chu**") has tendered her resignation as an independent non-executive Director with effect from 29 July 2017, due to the expiry of the service contract entered between Mrs. Chu and the Company. Following the resignation of Mrs. Chu and with effect from 29 July 2017, Mrs. Chu has ceased to act as a member of each of the remuneration committee and the nomination committee of the Company.

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 2017.

CORPORATE GOVERNANCE

During the six months ended 30 June 2017, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman (the "**Chairman**") and chief executive ("**CE**") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CE should be clearly established and set out in writing. During the period under review, the Company did not appoint a Chairman or CE. The functions of the Chairman and CE are performed by the Directors. The Board will review the current practice from time to time and make appropriate changes if necessary.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain Directors were unable to attend the annual general meeting of the Company held on 23 June 2017 due to other important business engagement.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information during the six months ended 30 June 2017 on Directors are as follows:

Mr. Lam Kwok Hing, Wilfred, the non-executive Director, was re-designated from a non-executive director to an executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of the Stock Exchange, on 12 April 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 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 2017. The Audit Committee has approved the unaudited interim financial statements.

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

Hong Kong, 18 August 2017

As at the date of this announcement, the Board comprises Mr. So Yuen Chun, Dr. Li Ai Guo, Mr. Chong Kok Leong and Mr. Zhuang Miaozhong being the executive Directors; Mr. Lam Kwok Hing, Wilfred and Mr. Huang Lizhi being the non-executive Directors; and Mr. Yeung Wai Hung, Peter, Ms. Yuen Wai Man and Mr. Choy Hiu Fai, Eric being the independent non-executive Directors.