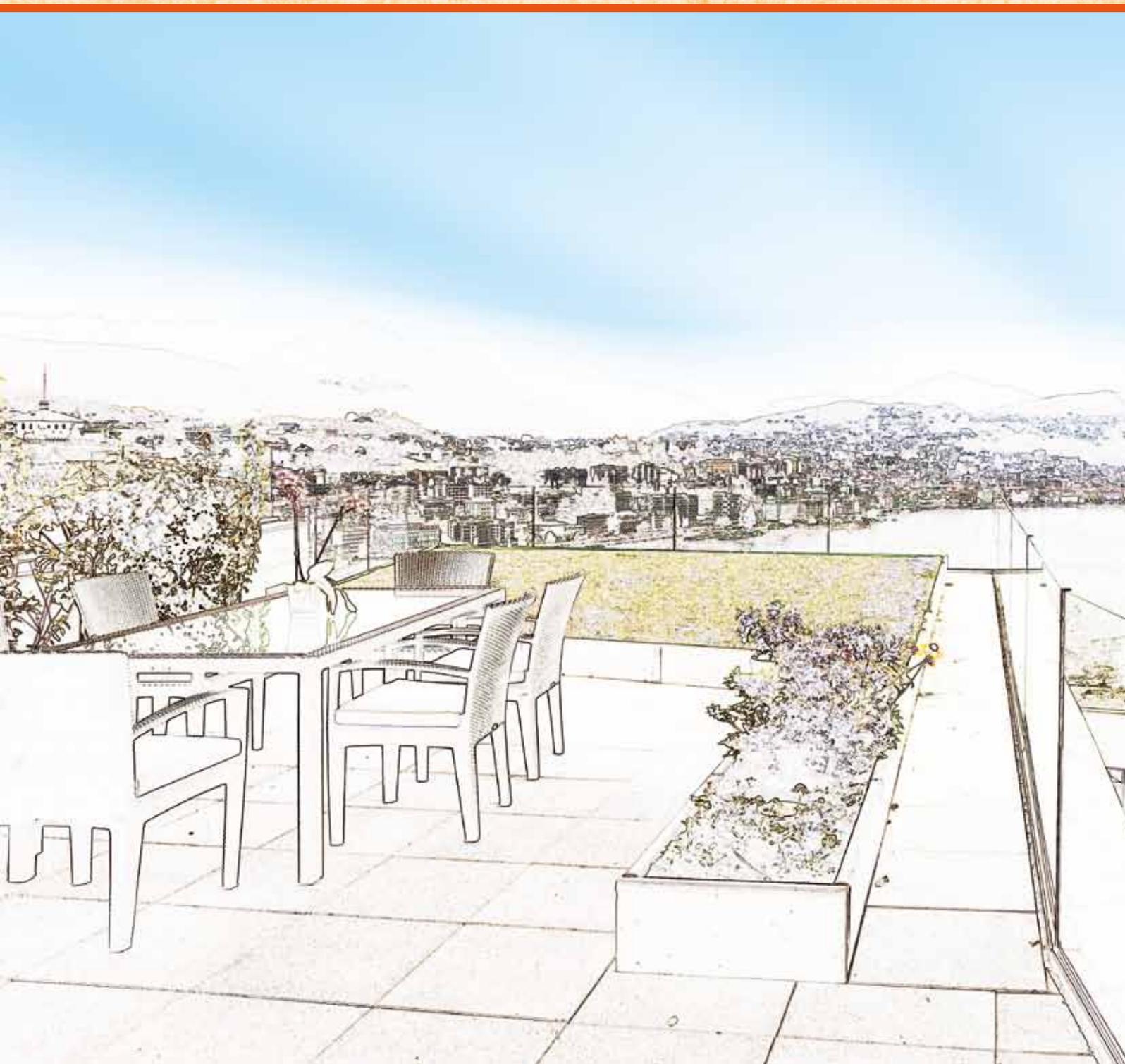




**The Hong Kong Building
and Loan Agency Limited**
香港建屋貸款有限公司

(Stock Code: 145)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Yu Fung, Wilson
Mr. Chan Chun Wai
Mr. Au Tin Fung

Independent Non-Executive Directors

Mr. Chan Chi Yuen
Mr. So Yuen Chun
Mr. Ng Cheuk Fan, Keith

AUDIT COMMITTEE

Mr. Chan Chi Yuen
Mr. So Yuen Chun
Mr. Ng Cheuk Fan, Keith

NOMINATION COMMITTEE

Mr. Chan Chi Yuen
Mr. So Yuen Chun
Mr. Ng Cheuk Fan, Keith

REMUNERATION COMMITTEE

Mr. Chan Chi Yuen
Mr. So Yuen Chun
Mr. Ng Cheuk Fan, Keith

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

Ms. Li Oi Lai

The board of directors (the “Board”) 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 2010 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Notes	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	5	8,287	2,082
Interest income		8,287	2,052
Fair value changes on financial assets held for trading		(30,310)	3,401
Realised gain on available-for-sale investments		–	28
Dividend income		–	30
Other income		92	78
Operating expenses		(6,816)	(2,635)
Interest expense		(207)	–
(Loss) Profit before taxation		(28,954)	2,954
Taxation	6	(19)	(13)
(Loss) Profit for the period		(28,973)	2,941
Other comprehensive income			
Fair value changes on available-for-sale investments		54,840	159
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		–	(28)
Other comprehensive income		54,840	131
Total comprehensive income for the period		25,867	3,072
(Loss) Profit for the period attributable to the owners of the Company		(28,973)	2,941
Total comprehensive income attributable to the owners of the Company		25,867	3,072
		HK cents	HK cents
(Loss) Earnings per share	8		
Basic		(1.04)	0.11
Diluted		(1.04)	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

		At 30 June 2010 (Unaudited) HK\$'000	At 31 December 2009 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Equipment		172	184
Mortgage loans	9	2,099	68,268
Available-for-sale investments	10	61,200	–
		63,471	68,452
CURRENT ASSETS			
Mortgage loans	9	127,900	1,562
Financial assets at fair value through profit or loss	11	41,971	109,941
Loan receivables	12	67,000	10,000
Prepayments and other receivables		6,200	19,350
Tax recoverable		169	127
Bank balances		15,665	23,004
		258,905	163,984
CURRENT LIABILITIES			
Other payables and accruals		1,284	1,347
		1,284	1,347
NET CURRENT ASSETS		257,621	162,637
		321,092	231,089
CAPITAL AND RESERVES			
Share capital	13	282,935	225,000
Reserves		38,157	6,089
		321,092	231,089
		321,092	231,089

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share Premium HK\$'000	Convertible bonds HK\$'000	Convertible bond option HK\$'000	Warrants HK\$'000	Investments revaluation reserve HK\$'000	Retained profits (Accumulated loss) HK\$'000	
At 1 January 2009 (audited)	225,000	-	-	-	-	875	2,705	228,580
Profit for the period	-	-	-	-	-	-	2,941	2,941
Fair value changes of available-for-sale investments	-	-	-	-	-	159	-	159
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	-	-	(28)	-	(28)
Other comprehensive income for the period	-	-	-	-	-	131	-	131
Total comprehensive income for the period	-	-	-	-	-	131	2,941	3,072
At 30 June 2009 (unaudited)	225,000	-	-	-	-	1,006	5,646	231,652
At 1 January 2010 (audited)	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 (note 13)	56,250	-	-	51,763	-	-	(51,763)	56,250
Issue of convertible bonds (note 14)	-	-	4,873	(2,607)	-	-	-	2,266
Issue of shares upon conversion of convertible bonds (note 14)	1,685	1,939	(3,624)	-	-	-	-	-
Issue of warrants (note 15)	-	-	-	-	5,620	-	-	5,620
At 30 June 2010 (unaudited)	282,935	1,939	1,249	49,156	5,620	54,840	(74,647)	321,092

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash flow (used in) from operating activities	(65,089)	61,971
Cash flow (used in) generated from investing activities		
Principal repayment on available-for-sale investments	–	4,683
Purchase of equipment	(26)	–
Purchase of available-for-sale investments	(6,360)	–
Net cash flow (used in) from investing activities	(6,386)	4,683
Cash flow generated from financing activities		
Proceed from issue of shares and options for convertible bonds	56,250	–
Proceed from issue of convertible bonds	2,266	–
Proceed from issue of warrants	5,620	–
Net cash flow from financing activities	64,136	–
Net change in cash and cash equivalents	(7,339)	66,654
Cash and cash equivalents at 1 January	23,004	122,507
Cash and cash equivalents at 30 June, represented by Bank balances	15,665	189,161

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial information for the year ended 31 December 2009 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 and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA.

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for the Group’s changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) is applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions to which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable. The application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD *(continued)*

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or 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 2010

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 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)

	Six months ended 30 June 2009		
	Loan financing <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	780	1,302	2,082
Segment profit	750	4,617	5,367
Central administration costs			(2,413)
Profit before taxation			2,954

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 director and staff salaries, operating lease rental and legal and professional fees. This is the measure reported to board of directors for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

5. REVENUE

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

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

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Loan financing:		
Interest on mortgage loans	5,887	780
Interest on loan receivables	2,303	–
Treasury investments:		
Interest on bank deposits	2	226
Interest on available-for-sale investments	–	1,003
Interest on held-for-trading investments	–	43
Interest on financial assets designated at fair value through profit or loss	95	–
Dividend income from held-for-trading investments listed in Hong Kong	–	30
	8,287	2,082

6. TAXATION

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Hong Kong		
– Current tax	19	13

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 2010

7. DIVIDEND

No dividend was paid or declared during the six months ended 30 June 2010, nor has any dividend been declared since the end of reporting date (2009: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
<hr/>		
Earnings		
Earnings for the purpose of basic (loss) earnings per share and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	(28,973)	2,941
	<hr/>	
	Six months ended 30 June	
	2010	2009
	Shares	Shares (restated)
<hr/>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,796,524,264	2,787,789,355
	<hr/>	

The computation of diluted loss per share for the period ended 30 June 2010 does not assume the exercise or conversion of the Company's outstanding options for convertible bonds, convertible bonds and warrants since their exercise or conversion would result in a decrease in the loss per share.

No diluted earnings per share was presented for the period ended 30 June 2009 as there were no potential ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the periods ended 30 June 2010 and 2009, respectively, have 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 notes 13(a) and (b), respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

9. MORTGAGE LOANS

	At 30 June 2010 <i>HK\$'000</i>	At 31 December 2009 <i>HK\$'000</i>
Fixed-rate loans receivable	2,054	3,326
Variable-rate loans receivable	127,945	66,504
	129,999	69,830
Carrying amount analysed for reporting purposes:		
– Current assets (receivable within 12 months from the reporting date)	127,900	1,562
– Non-current assets (receivable after 12 months from the reporting date)	2,099	68,268
	129,999	69,830

Included in the variable-rate loan receivables as at 30 June 2010 are mortgage loans to a customer amounting to HK\$127,000,000 (31 December 2009: HK\$65,000,000). The loans bear variable interest rate based on the prime rate offered by the Hong Kong and Shanghai Banking Corporation Limited. The loans, amounting to HK\$77,000,000 and HK\$50,000,000, will mature respectively in January 2011 and May 2011.

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

Balance of mortgage loans as at 30 June 2010 and 31 December 2009 is net of accumulated impairment allowances of HK\$97,000 (at 31 December 2009: HK\$168,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

10. AVAILABLE-FOR-SALE INVESTMENTS

	At	At
	30 June	31 December
	2010	2009
	HK\$'000	<i>HK\$'000</i>
Equity securities listed in Hong Kong	61,200	–

The amount represents the fair value of an equity investment in 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 closing bid price as at 8 June 2010 which is the latest price available before the suspension of the trading of the shares from 9 June 2010 to 21 July 2010.

The fair value approximates to the closing bid price on 22 July 2010 when the shares resumed trading.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At	At
	30 June	31 December
	2010	2009
	HK\$'000	<i>HK\$'000</i>
Held-for-trading investments:		
Equity security listed in Hong Kong	32,211	64,421
Convertible bond	9,760	19,520
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	–	26,000
	41,971	109,941

12. LOAN RECEIVABLES

As at 30 June 2010, loan receivables, which are denominated in HKD, carry fixed interest rates from 7.5% to 8% per annum, and are repayable within one year. A loan receivable amounting to HK\$64,000,000 is secured by promissory notes issued by a listed entity in Hong Kong while the remaining loan receivable is unsecured.

As at 31 December 2009, a loan receivable of HK\$10,000,000 was denominated in HKD, unsecured, carried a fixed interest rate of 8% per annum and was repayable on demand. The loan was fully repaid during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

13. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares		
As at 30 June 2009 and 31 December 2009	300,000,000	300,000
Share subdivision (note a)	2,700,000,000	N/A
Increase in authorised share capital (note a)	2,000,000,000	200,000
	<hr/>	
As at 30 June 2010	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares		
As at 30 June 2009 and 31 December 2009	225,000,000	225,000
Share subdivision (note a)	2,025,000,000	N/A
Issue of ordinary shares (note b)	562,500,000	56,250
Issue of shares upon conversion of convertible bonds (note 14)	16,854,160	1,685
	<hr/>	
As at 30 June 2010	2,829,354,160	282,935

Note:

- (a) Pursuant to an extraordinary general meeting of the Company held on 10 February 2010 (the "EGM"), 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"). Upon 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 EGM. The new shares shall rank *pari passu* in all respects with the existing issued shares of the Company.
- (b) 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 conversion price of HK\$0.1 per share. Proceeds of approximately HK\$51.8 million attributable to the fair value of options for convertible bonds, which has taken into account the market prices of the Company's ordinary shares, at issue date of the options, are recognised in equity. The net proceeds of approximately HK\$54 million after deducting the issue expense of HK\$2.2 million was 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

14. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS AND CONVERTIBLE BONDS

Pursuant to the open offer as disclosed in note 13(b), 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. During the period up to maturity date, the convertible bond holders shall be able to convert, but not redeem the convertible bonds, in its 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 are 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 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 449,999,997 ordinary shares of the Company to the convertible bond holders on based on the conversion price of HK\$0.1 per share.

During the current period, 22,663,709 options were exercised by the option holders and the Company has issued convertible bonds in the principal amount of HK\$2,266,371 accordingly.

During the current period, convertible bonds in the principal amount of HK\$1,685,416 were converted into 16,854,160 ordinary shares of HK\$0.1 each of the Company. At 30 June 2010, the Company had convertible bonds in the principal amount of HK\$580,955 outstanding and 427,336,288 outstanding options, the exercise in full of these options would result in further issuance of convertible bonds in the principal amount of HK\$42,733,629.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

15. 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 agreement 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.

No warrant had been exercised during the period ended 30 June 2010.

16. 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 2010 HK\$'000	At 31 December 2009 HK\$'000
Within one year	273	664

17. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement dated 13 August 2010, the Company has entered into a placing agreement to issue a maximum of 1,135,000,000 shares at a price of HK\$0.11 per share. The placement and refreshment of general mandate are subject to approval at an extraordinary general meeting.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 16, 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 2010 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 enquiries, 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

20 August 2010

INTERIM DIVIDEND

The Board do not recommend the payment of interim dividend for the six months ended 30 June 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in treasury investments and the provision of loan finance.

During the period under review, the loan financing activities recorded a revenue amounting to HK\$8.2 million (2009: HK\$0.8 million). The Group's treasury investments recorded loss over the period under review as compared with the comparable period ended 30 June 2009, mainly due to changes in fair value of held-for-trading equity securities.

FINANCIAL REVIEW

The Group recorded a revenue of HK\$8.3 million, representing an increase of 295% as compared with HK\$2.1 million for the comparable period ended 30 June 2009. Of the revenue of HK\$8.3 million, HK\$8.2 million was generated from the Group's loan financing activities (2009: HK\$0.8 million), which contributed a profit of HK\$8 million (2009: HK\$0.8 million).

During the period under review, the Group recorded a loss attributable to the shareholders of the Company in the amount of HK\$29 million as compared with a profit of HK\$3 million for the comparable period ended 30 June 2009.

The loss contributed by treasury investments amounting to HK\$30.6 million (2009: profit of HK\$4.6 million) was mainly attributable to the changes in fair value of held-for-trading equity securities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a liquid position throughout the period under review. As at 30 June 2010, the Group's cash and cash equivalents amounted to HK\$15.7 million (31 December 2009: HK\$23 million). The Group did not have any borrowings as at 30 June 2010 (31 December 2009: Nil).

As at 30 June 2010, the Group hold net assets of HK\$321.1 million (at 31 December, 2009: HK\$231.1 million). The Group maintained net current assets of HK\$257.6 million (31 December 2009: HK\$162.6 million).

The Group has a zero gearing ratio (2009: 0%) as calculated by net debts (as calculated by total borrowings minus cash and cash equivalents) over total equity.

CAPITAL STRUCTURE

As at 30 June 2010, the Company's issued ordinary share capital was HK\$282,935,416 divided into 2,829,354,160 shares of HK\$0.1 each (31 December 2009: HK\$225,000,000 divided into 225,000,000 shares of HK\$1 each).

Pursuant to the special resolutions passed at the extraordinary general meeting of the Company held on 10 February 2010 (the "EGM"), each of the issued and unissued shares of HK\$1.00 each in the share capital of the Company was subdivided into 10 shares of HK\$0.10 each (the "Subdivided Shares") (collectively referred to as the "Share Subdivision"), and the authorised share capital of the Company was increased from HK\$300,000,000 to HK\$500,000,000 by the creation of an additional 2,000,000,000 Subdivided Shares after the completion of the Share Subdivision.

On 5 May 2010, the Company allotted and issued 562,500,000 ordinary shares of HK\$0.1 each to the qualifying shareholders pursuant to an open offer on the basis of one offer share (with a further option to subscribe for convertible bonds ("Option")) for every four existing shares at a subscription price of HK\$0.1 per share (the "Open Offer").

Pursuant to the Open Offer, the Company has issued a total of 449,999,997 Options to the subscribers of the offer shares. 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 ("Convertible Bonds"). The Convertible Bonds, if fully subscribed, are convertible to 449,999,997 new shares of the Company ("Share") at a conversion price of HK\$0.1 per Share. These Convertible Bonds will mature on 31 December 2012. The Company has sole and absolute discretion to redeem any outstanding Convertible Bonds on the maturity date at 100% of their principal amount or by issuing new Shares to the respective Convertible Bond holders based on the conversion price of HK\$0.1 per share.

During the period under review, 22,663,709 Options were exercised by the Option holders, and the Convertible Bonds in a principal amount of HK\$2,266,371 were issued accordingly.

During the current period, Convertible Bonds in the principal amount of HK\$1,685,416 were converted into 16,854,160 Shares and as at 30 June 2010, the Company had Convertible Bonds in the principal amount of approximately HK\$580,955 outstanding and 427,336,288 Options outstanding. The exercise in full of these outstanding options would result in further issuance of Convertible Bonds in the principal amount of approximately HK\$42,733,629, which is convertible into 427,336,288 new Shares.

On 10 May 2010, the Company and Fortune (HK) Securities Limited (the "Placing Agent") 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 exercise price of HK\$0.18 (the "Warrant Placing Agreement"). In view of the change in market conditions, the Placing Agent and the Company agreed to vary the Warrant Placing Agreement by terminating the Warrant Placing Agreement and entering into the Supplemental Warrant Placing Agreement on 7 June 2010, pursuant to which the initial exercise price was amended from HK\$0.18 to HK\$0.147 per warrant. The placement was completed on 22 June 2010 and the warrants issued shall expire on 21 June 2012. No warrant had been exercised during the period under review.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

The Group did not have any charges on its assets and there were no contingent liabilities as at 30 June 2010.

CAPITAL COMMITMENT

The Group did not have any capital commitment as at 30 June 2010.

FOREIGN CURRENCY EXPOSURE

All assets of the Group are denominated in Hong Kong dollars except for some bank balances and the held-for-trading convertible bonds which are denominated in United States dollars; henceforth the Group's exposure to foreign exchange currency rate risk is insignificant.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisition or disposal of any of its subsidiaries or associated companies during the six months ended 30 June 2010.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2010, the Group held convertible bonds and listed equity investment amounting to approximately HK\$9.8 million and HK\$32.2 million (31 December 2009: approximately HK\$19.5 million and HK\$64.4 million), respectively, and available-for-sale financial assets amounting to approximately HK\$61.2 million (31 December 2009: Nil).

FUND RAISING ACTIVITIES

As disclosed under the section headed "Capital Structure" above, during the period under review, the Company had conducted an open offer of shares entitling the subscribers thereof a further Option to subscribe for Convertible Bonds. The aggregate gross proceeds from the open offer were HK\$56.25 million. Assuming full exercise of the Option, an additional maximum amount of HK\$45 million (before expenses) will be raised. As at 30 June 2010, the net proceeds from the open offer (approximately HK\$54 million) and from the exercise of the Option (approximately HK\$2.3 million) had been applied as general working capital of the Group as originally intended.

In addition, the Company entered into the supplemental warrant placing agreement with Fortune (HK) Securities Limited (the "Placing Agent") on 7 June 2010 in relation to the placing of 562,000,000 Warrants, at the warrant issue price of HK\$0.01 per Warrant. The warrant placement was completed on 22 June 2010, generating net proceeds of approximately HK\$5.3 million which were applied as general working capital of the Group as originally intended. The warrant exercise price is HK\$0.147 per Share (subject to adjustment) and the Warrants may be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants. No Warrant had been exercised during the period ended 30 June 2010. On such basis, further net proceeds of up to a maximum of approximately HK\$82.6 million from the issue of the new shares upon the exercise of the subscription rights attaching to the warrants may be raised in future.

EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement dated 13 August 2010, the Company has entered into a placing agreement to issue a maximum of 1,135,000,000 shares at a price of HK\$0.11 per share. The placement and refreshment of general mandate are subject to approval at an extraordinary general meeting.

BUSINESS OUTLOOK

Benefiting from the continuous economic recovery, Hong Kong's real property market has enjoyed a boom over the period under review which in turn has brought a remarkable increase in the prospect of the Group's mortgage finance businesses. The Group will continue developing this business while also striving towards strengthening its overall financial position and focusing on the treasury investments. The management will continue to explore business opportunities to maximise the return to the shareholders.

STAFF AND REMUNERATION

The Group had approximately 10 (2009: approximately 10) employees at 30 June 2010 and total staff costs incurred during the period amounted to HK\$1.89 million (2009: HK\$1.0 million). The Group offers competitive remuneration packages to its employees. A share option scheme has been approved by the shareholders meeting on 22 May 2008 for employees. No share options granted to employees during the period ended 30 June 2010 (2009: Nil).

DIRECTORS' INTERESTS

None of the directors or chief executives of the Company, or their respective associates, as at 30 June 2010, had any interest or short position in the shares, underlying shares and 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

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company that they were interested in 5% or more of the issued share capital of the Company.

Long position in the Shares

Name of Shareholder	Capacity	Number of shares held (Note 1)	Approximate percentage of the issued share capital of the Company (Note 2)
Tang Yu Ming, Nelson (Note 3)	Interest in controlled corporation	561,239,500	19.84
Hyde Park Group Limited (Note 3)	Beneficial owner & Interest in controlled corporation	561,239,500	19.84
Island New Finance Limited (Note 3)	Beneficial owner	554,960,000	19.61
Ni Rong Kun	Beneficial owner	316,825,000	11.20
Liang Gui Lian (Note 4)	Interest in controlled corporation	316,825,000	11.20
Best Leader Investment Limited (Note 4)	Interest in controlled corporation	316,825,000	11.20
Express Advantage Limited (Note 4)	Beneficial owner	316,825,000	11.20

Note:

1. With effect from 11 February 2010, each of the issued and unissued shares of HK\$1.00 each was subdivided into 10 shares of HK\$0.10 each.
2. Based on the number of 2,829,354,160 shares of the Company in issue as at 30 June 2010.
3. Mr. Tang Yu Ming Nelson, a former chairman of the Company and a non-executive Director resigned from the aforesaid offices, both on 14 May 2010, is deemed to be interested in 561,239,500 shares of the Company by virtue of his 100% beneficial holding in Hyde Park Group Limited. ("Hyde Park"). Hyde Park's interest in 561,239,500 shares comprised (i) its beneficial interest in 6,279,500 shares; and (ii) its deemed interest in 554,960,000 shares through its wholly-owned subsidiary, Island New Finance Limited ("Island New").
4. Ms. Liang Gui Lian, is deemed to be interested in 316,825,000 shares of the Company by virtue of her 100% beneficial holding in Best Leader Investment Limited ("Best Leader"). Best Leader is deemed to be interested in 316,825,000 shares of the Company by virtue of its 80% beneficial holding in Express Advantage Limited.

Save as disclosed above, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 30 June 2010, which would fall to be disclosed under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE 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 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Group was in full compliance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period, except for the followings:

Under the Code Provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Mr. Tang Yu Ming, Nelson resigned as chairman and non-executive Director of the Company with effect from 14 May 2010 and no replacement for the post of chairman has been appointed as at 30 June 2010. The functions of the CEO are performed by all three executive Directors jointly, namely, Messrs. Lau Yu Fung, Wilson, Chan Chun Wai and Au Tin Fung. 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 2010 have been reviewed by the audit committee.

Further, the interim results for the six months ended 30 June 2010 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 HKICPA.

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 16 August 2010, Mr. Ng Cheuk Fan, Keith was appointed as executive director of New Environmental Energy Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.

By Order of the Board

The Hong Kong Building and Loan Agency Limited

Au Tin Fung

Executive Director

Hong Kong, 20 August 2010