



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

(Stock Code: 145)



Interim Report 2012



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. So Yuen Chun
Mr. Yeung Kwok Leung

Non-executive Director

Mr. Lam Kwok Hing, Wilfred

Independent Non-executive Directors

Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung

AUDIT COMMITTEE

Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung

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NOMINATION COMMITTEE

Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung

REMUNERATION COMMITTEE

Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung

AUDITOR

ZHONGLEI (HK) CPA Company Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Public Bank (Hong Kong) Limited

SOLICITOR

Angela Wang & Co
Kennedys

SHARE REGISTRAR

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

REGISTERED OFFICE

Unit F, 7/F
China Overseas Building
139 Hennessy Road
WanChai
Hong Kong

STOCK CODE

145

WEBSITE

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

COMPANY SECRETARY

Mr. So Yuen Chun

The board of directors (the “**Board**” or “**Directors**”) of The Hong Kong Building and Loan Agency Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2012 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	4	20,228	18,370
Interest income		20,228	18,370
Fair value changes on financial assets at fair value through profit or loss		(3,374)	(24,866)
Realised gain on held-for-trading investment		3,289	–
Other income		1	5
Operating expenses		(49,395)	(20,766)
Interest expense on trading accounts		(3)	–
Loss before taxation		(29,254)	(27,257)
Taxation	5	(1,028)	(1,293)
Loss for the period	6	(30,282)	(28,550)
Other comprehensive income			
Fair value changes on available-for-sale investments		3,200	(6,600)
Deferred tax relating to fair value change on available-for-sale investments		–	1,089
Other comprehensive income (expense)		3,200	(5,511)
Total comprehensive expense for the period		(27,082)	(34,061)
Loss for the period attributable to the owners of the Company		(30,282)	(28,550)
Total comprehensive expense attributable to the owners of the Company		(27,082)	(34,061)
		HK cents	HK cents
Loss per share	8		
Basic		(0.70)	(0.70)
Diluted		(0.70)	(0.70)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Equipment		318	369
Mortgage loans	9	27,778	11,235
Loan receivables	10	10,000	–
Deposit paid for acquisition of a subsidiary	11	10,000	10,000
Available-for-sale investments	12	9,502	6,619
		57,598	28,223
CURRENT ASSETS			
Mortgage loans	9	595	654
Financial assets at fair value through profit or loss	13	8,706	20,626
Loan receivables	10	240,712	280,712
Tax recoverable		–	35
Prepayments, deposits and other receivables	14	47,431	33,383
Bank balances		4,613	17,994
		302,057	353,404
CURRENT LIABILITIES			
Other payables and accruals		13,141	9,024
Tax payable		993	–
		14,134	9,024
NET CURRENT ASSETS			
		287,923	344,380
CAPITAL AND RESERVES			
Share capital	15	435,149	435,149
Reserves		(89,628)	(62,546)
		345,521	372,603

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible bond reserve HK\$'000	Convertible bond option HK\$'000	Warrants HK\$'000	Investments revaluation reserve HK\$'000	Accumulated losses HK\$'000	
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 expense 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
At 1 January 2012	435,149	54,119	169	-	5,520	-	(122,354)	372,603
Loss for the period	-	-	-	-	-	-	(30,282)	(30,282)
Fair value changes of available-for-sale investments	-	-	-	-	-	3,200	-	3,200
Total comprehensive expense for the period	-	-	-	-	-	3,200	(30,282)	(27,082)
Cancellations of warrants upon expired	-	-	-	-	(5,520)	-	5,520	-
At 30 June 2012	435,149	54,119	169	-	-	3,200	(147,116)	345,521

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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		Six months ended 30 June	
		2012	2011
	<i>Note</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Net cash flow used in operating activities		(13,698)	(80,043)
Cash flow generated from/(used in) investing activities			
Purchase of equipment		–	(323)
Net proceeds from sales of available-for-sale investments		317	–
Purchase of available-for-sale investments		–	(500)
Deposit paid for acquisition of a subsidiary	<i>11</i>	–	(10,000)
Net cash generated from/(used in) investing activities		317	(10,823)
Cash generated from financing activities			
Proceed from issue of convertible bonds		–	34,698
Proceed from exercise of warrants		–	1,470
Net cash flow generated from financing activities		–	36,168
Net change in cash and cash equivalents		(13,381)	(54,698)
Cash and cash equivalents at 1 January		17,994	77,055
Cash and cash equivalents at 30 June, represented by Bank balances		4,613	22,357

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

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

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Income Taxes: Deferred Tax – Recovery of Underlying Assets

The application of the amendments to HKFRS 7 and HKAS 12 in the current accounting Period have had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

3. SEGMENT INFORMATION

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

	Six months ended 30 June 2012		
	Loan financing HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Revenue	20,222	6	20,228
Segment loss	(22,191)	(114)	(22,305)
Central administration costs			(6,949)
Loss before taxation			(29,254)

	Six months ended 30 June 2011		
	Loan financing HK\$'000	Treasury investments HK\$'000	Total HK\$'000
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)

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 2012

4. REVENUE

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

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Loan financing:		
Interest on mortgage loans	1,604	949
Interest on loan receivables	18,618	17,419
Treasury investments:		
Interest on bank deposits	6	2
	20,228	18,370

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5. TAXATION

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong		
– Current tax	1,028	204
– Deferred tax	–	1,089
Income tax expense for the period	1,028	1,293

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 2012

8. LOSS PER SHARE *(continued)*

The computation of diluted loss per share for the period ended 30 June 2012 and 2011 does not assume the exercise or conversion of the Company's outstanding option for convertible bonds, convertible bonds and warrants since their assumed exercise or conversion would result in a decrease in the loss per share.

9. MORTGAGE LOANS

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Fixed-rate loans receivable	27,927	11,390
Variable-rate loans receivable	446	499
	28,373	11,889
Carrying amount analysed for reporting purposes:		
– Current assets (receivable within 12 months from the reporting date)	595	654
– Non-current assets (receivable after 12 months from the reporting date)	27,778	11,235
	28,373	11,889

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

The mortgage loans as at 30 June 2012 are net of impairment allowances of HK\$4,000 (31 December 2011: NIL).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 HK\$'000	At 31 December 2011 HK\$'000
Repayable:		
Within 3 months	272	159
Between 3 months and 1 year	447	495
Between 1 and 5 years	27,654	11,179
After 5 years	–	56
	28,373	11,889

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10. LOAN RECEIVABLES

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Fixed-rate loan receivables	86,000	81,000
Variable-rate loan receivables	200,712	200,712
	286,712	281,712
Less: impairment allowance on fixed-rate loan receivables	(36,000)	(1,000)
	250,712	280,712
Carrying amount analysed for reporting purposes		
– Current assets (receivable within 12 months from the reporting date)	240,712	280,712
– Non-current assets (receivable after 12 months from the reporting date)	10,000	–
	250,712	280,712

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

10. LOAN RECEIVABLES *(continued)*

- (i) The loan receivables outstanding at 30 June 2012 and 31 December 2011 are denominated in Hong Kong dollars.
- (ii) At 30 June 2012 and 31 December 2011, a loan receivable amounting to HK\$60,000,000, carries fixed interest at 9% per annum and is secured by a convertible bond issued by a listed entity in Hong Kong.
- (iii) A loan receivable amounting to approximately HK\$200,712,000 is secured by a floating charge on the entire assets (mainly included a residential property located in Hong Kong) of the guarantor. The loan bore variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited which was reclassified from mortgage loan receivables during the year ended 31 December 2011.

In December 2011, the Group called for repayment on the principal amount of loan and respective accrued interest. Therefore, the loan receivable of approximately HK\$200,712,000 became due immediately.

At 31 December 2011, according to the valuation report dated 12 March 2012 (the "Valuation Report") issued by an independent professional valuer, Malcolm & Associates Appraisal Limited, the fair value of the residential property located in Hong Kong owned by the guarantor (the "Property") is HK\$400,000,000. With regard to the effect of the winding up petition filed in the High Court of Hong Kong against the guarantor, the fair value of the Property would be discounted by a range of 10% of the fair value stated in the Valuation Report. The directors of the Company are of the opinion that the fair value of the Property exceeded the carrying values of the principal amount of the loan and the interest receivables. Accordingly, no impairment allowance is considered necessary.

- (iv) A loan receivable amounting to HK\$15,000,000 as at 30 June 2012 (31 December 2011: HK\$15,000,000) is secured by a corporate guarantee issued by a listed entity in Hong Kong and carries interest at the rate of 9% per annum.
- (v) A loan receivable amounting to HK\$10,000,000 as at 30 June 2012 (31 December 2011: NIL) is secured by a bond issued by a listed entity in Hong Kong and the interest on the loan is charged at the rate of 12.25% per annum for the first 2 years and at the rate of 6% per annum thereafter.

The remaining loan receivables of HK\$1,000,000 at 30 June 2012 (31 December 2011: HK\$6,000,000) are unsecured and carry fixed interest rates at 20% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

10. LOAN RECEIVABLES *(continued)*

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

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Overdue	225,712	203,712
Between 3 months and 1 year	15,000	77,000
Between 1 and 5 years	–	–
Over 5 years	10,000	–
	250,712	280,712

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Included in the carrying amount of the fixed-rate loan receivables of HK\$3,000,000 as at 31 December 2011 is unsecured loan borrowed by a listed entity in Hong Kong. The loan was fully repaid during the current period.

Movement in the accumulated impairment allowance on loan receivables:

	The Group HK\$'000
Impairment allowance movement	
At 1 January and 31 December 2011	1,000
Charge during the period	35,000
At 30 June 2012	36,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

11. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

As at 30 June 2012, the deposit represents deposit paid for acquisition of 100% equity interest in Weldtech Technology Co. Limited (the "Acquisition"). The amount is non-interest bearing.

Pursuant to the announcement of the Company dated 25 February 2011, Wise Planner Limited ("Wise Planner"), a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement (the "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 (vi) SV Technology Company Limited (collectively referred to as the "Vendors") to acquire the entire issued 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 was to 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. At 30 June 2012 and 31 December 2011, HK\$10,000,000 cash has been paid as deposit ("Initial Deposit").

On 24 June 2011, the Acquisition was approved by the shareholders of the Company at the extraordinary general meeting. On 22 December 2011, Wise Planner and the Vendors have entered into a fifth supplemental agreement (the "Fifth Supplemental Agreement") to extend the long stop date of the Sale and Purchase Agreement to 31 January 2012 and amend certain terms and conditions of the Sale and Purchase Agreement. On 29 February 2012, Wise Planner, the Vendors, Mr. Wong Ho Yuen, Mr. Wu Gang and the Company (collectively, the "VSA Parties") reached an understanding not to further extend the long stop date, and instead discussed about the way to proceed with the acquisition of 100% equity interest in Weldtech Technology Co. Limited, including doing so in or under an optimal and/or revised structure.

On 24 August 2012 (after trading hours), the VSA Parties mutually agreed to terminate the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) by entering into the termination agreement (the "Termination Agreement").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

11. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY *(continued)*

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the VSA Parties to the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) shall be released and neither party shall have any claims against the other for or on account of the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement).

Pursuant to the Termination Agreement, SV Technology shall return the Initial Deposit of HK\$10,000,000 to Wise Planner within 90 days from the date of the Termination Agreement (or such other date as the Wise Planner and SV Technology may agree in writing).

Details of the Acquisition had been disclosed in the Company's announcements dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012, 22 March 2012 and 24 August 2012, respectively, and the Company's circular dated 31 May 2011.

12. AVAILABLE-FOR-SALE INVESTMENTS

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	At 30 June 2012 <i>HK\$'000</i>	At 31 December 2011 <i>HK\$'000</i>
Equity securities listed in Hong Kong	9,243	6,360
Unlisted equity securities, at cost	500	500
<i>Less: impairment recognised during the period</i>	(241)	(241)
Equity securities in Hong Kong, net	259	259
	9,502	6,619

The equity securities listed in Hong Kong represent the fair value of an equity investment in 4.33% of total outstanding issued shares of listed entity at the end of the reporting period. The fair value of the listed equity securities was determined with reference to the quoted market bid price available on the Stock Exchange at 30 June 2012.

The unlisted investments represent investments in unlisted equity securities in 5% of the total outstanding issued shares of a company incorporated in Hong Kong at the end of the reporting period. They are measured at cost less identified impairment losses at the end of the reporting period because their fair values cannot be measured reliably.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Held-for-trading investments:		
Equity securities listed in Hong Kong	8,706	20,626

At 30 June 2012 and 31 December 2011, the fair value of the listed equity securities was determined based on the quoted market bid prices available on the Stock Exchange.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Interest receivable	49,044	31,315
Prepayments	825	1,431
Receivables from securities brokers	2,263	2,577
Receivable from disposal of a subsidiary	9,200	9,200
Others	310	308
	61,642	44,831
Less: Impairment allowance	(14,211)	(11,448)
	47,431	33,383

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movement in the accumulated impairment allowance on interest receivables and other receivables is as follows:

	Impairment allowance on interest receivables <i>HK\$'000</i>	Impairment allowance on other receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Impairment allowance movement			
At 1 January and 31 December 2011	2,248	9,200	11,448
Charge during the period	2,763	–	2,763
At 30 June 2012	5,011	9,200	14,211

18 15. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Ordinary shares of par value HK\$0.1 each		
Authorised:		
As at 1 January 2011	5,000,000,000	500,000
Increase in authorised share capital <i>(note a)</i>	25,000,000,000	2,500,000
As at 1 January and 30 June 2012	30,000,000,000	3,000,000
Issued and fully paid:		
As at 1 January 2011	3,994,700,358	399,470
Issue of shares upon conversion of convertible bonds <i>(note 16)</i>	346,788,309	34,679
Exercise of warrant <i>(note 17)</i>	10,000,000	1,000
As at 1 January and 30 June 2012	4,351,488,667	435,149

Note:

- (a) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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. Totalling 55,224,130 options were lapsed upon expiry of exercise period on 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.

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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 six months ended 30 June 2012, no convertible bonds (year ended 31 December 2011: HK\$34,678,831) were converted into ordinary shares of HK\$0.1 each of the Company.

At 30 June 2012 and 31 December 2011, the Company had convertible bonds in the principal amount of HK\$78,720 outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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\$0.1 each at a subscription price of HK\$0.18. Subsequently, the placing agent and the Company agreed to vary the warrant placement 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, respectively.

During the six months ended 30 June 2012, no warrants have been exercised or issued. On 21 June 2012, all of the 552,000,000 outstanding non-listed warrants expired.

18. OPERATING LEASE COMMITMENTS

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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 2012 HK\$'000	At 31 December 2011 HK\$'000
Within one year	1,395	1,538
Two to five years	130	771
	1,525	2,309

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

19. CAPITAL COMMITMENTS

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Commitments related to acquisition of a subsidiary contracted for but not provided in the consolidated financial statements	–	2,790,000

Pursuant to the Company's announcement dated 25 February 2011, Wise Planner entered into the Sale and Purchase Agreement with the Vendors to acquire the entire share capital of Weldtech Technology, at a consideration of HK\$2,800,000,000. At 30 June 2012 and 31 December 2011, HK\$10,000,000 cash has been paid as deposit.

On 24 August 2012 (after trading hours), the VSA Parties mutually agreed to terminate the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) by entering into the Termination Agreement.

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the VSA Parties to the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) shall be released and neither party shall have any claims against the other for or on account of the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement).

Pursuant to the Termination Agreement, SV Technology shall return the Initial Deposit of HK\$10,000,000 to Wise Planner within 90 days from the date of the Termination Agreement (or such other date as Wise Planner and SV Technology may agree in writing).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the six months ended 30 June 2012, the Group recorded an unaudited revenue of approximately HK\$20.2 million, representing an increase of 10.1% as compared with HK\$18.4 million for the last corresponding period. An unaudited loss attributable to the owners of the Company of HK\$30.3 million (2011: loss of HK\$28.6 million) was recorded.

The total revenue of approximately HK\$20.2 million (2011: HK\$18.4 million) was generated from the Group's loan financing business, which contributed a segment loss of HK\$22.2 million (2011: segment profit of HK\$18.1 million). Such increase in loss was mainly attributable to impairment loss in respect of loan and interest receivable recognised during the six months ended 30 June 2012. As at 30 June 2012, the Group held mortgage loans and loan receivable amounted to approximately HK\$28.4 million (31 December 2011: approximately HK\$11.9 million) and approximately HK\$250.7 million (31 December 2011: approximately HK\$280.7 million) respectively.

With respect to the treasury investments, a segment loss of approximately HK\$114,000 was recorded for the period under review, representing a decrease of approximately 99.5% as compared with HK\$24.9 million for the last corresponding period. As at 30 June 2012, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounted to approximately HK\$9.5 million and HK\$8.7 million (31 December 2011: approximately HK\$6.6 million and HK\$20.6 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.

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LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group's bank balances amounted to approximately HK\$4.6 million (31 December 2011: HK\$18.0 million) and did not have any borrowings (31 December 2011: Nil). The net assets and the net current assets of the Group amounted to approximately HK\$345.5 million (31 December 2011: HK\$372.6 million) and HK\$287.9 million (31 December 2011: HK\$344.4 million), respectively.

Gearing ratio of the Group as at 30 June 2012, which was calculated as net debts (as calculated by total borrowings less bank balances) divided by total equity, was zero (31 December 2011: zero).

CAPITAL STRUCTURE

As at 30 June 2012, the Company's issued ordinary share capital was HK\$435,148,866.70 divided into 4,351,488,667 shares of HK\$0.1 each ("**Share(s)**") (31 December 2011: HK\$435,148,866.70 divided into 4,351,488,667 Shares).

Pursuant to the open offer of the Company in 2010, the Company has 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**"). Totalling 55,224,130 Options were lapsed upon expiry of Exercise Period on 4 May 2011.

As at 30 June 2012, the Company had Convertible Bonds in the principal amount of HK\$78,720 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 787,200 new Shares.

During the six months ended 30 June 2012, no warrants have been exercised or issued. On 21 June 2012, all of the 552,000,000 outstanding non-listed warrants expired.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2012, 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

A sale and purchase agreement dated 23 February 2011 (as amended) (the "**Sale and Purchase Agreement**") 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) with respect to the acquisition 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**", and a refundable deposit in the total sum of HK\$10,000,000 was paid by the Company to SV Technology Company Limited) (collectively, the "**Acquisition**").

MATERIAL ACQUISITIONS *(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 system (“**UPPC**”) and other components.

The Acquisition constituted a very substantial acquisition for the Company under the Listing Rules and was approved by the Shareholders at the extraordinary general meeting of the Company held on 24 June 2011. Later, the third supplemental agreement and the fourth supplemental agreement were entered into on 20 July 2011 and 6 October 2011, respectively, thereby, the long stop date of the Sale and Purchase Agreement was extended to 30 December 2011.

On 22 December 2011, the parties to the Sale and Purchase Agreement (the “**VSA Parties**”) entered into a fifth supplemental agreement (the “**Fifth Supplemental Agreement**”) to amend certain terms and conditions of the Sale and Purchase Agreement (the “**Proposed Amendment**”) and to extend the long stop dates thereof to 31 January 2012.

Furthermore, on 22 December 2011, the Placing Agent, the Company and the Purchaser entered into a supplemental placing agreement (the “**Supplemental Placing Agreement**”) to amend certain terms and conditions of the Second Placing Agreement (the details of which are reported under “**FUND RAISING ACTIVITIES**” below).

During the vetting of the draft announcement of the Company in relation to the Fifth Supplemental Agreement and the Supplement Placing Agreement, the Listing Division of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) considered that the Proposed Amendment was a material variation to the terms of the Sale and Purchase Agreement and the Acquisition under Rule 14.36 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and ruled that the Company should re-comply with all applicable requirements for a very substantial acquisition under the Chapter 14 of the Listing Rules for the Fifth Supplemental Agreement, including that the Fifth Supplemental Agreement should be made conditional on approval by the Shareholders in general meeting (the “**Ruling**”). Although the Board did not agree with the Ruling and the Company eventually decided not to proceed with the review of the Ruling.

MATERIAL ACQUISITIONS *(continued)*

After 31 January 2012, the VSA Parties continued to negotiate on the possible further extension of the long stop date. The VSA Parties are desirous to complete the Acquisition and the discussions amongst the VSA Parties have never broken down. However, in view of the Ruling which cast great uncertainty on the proceeding of the Acquisition under the current structure, on 29 February 2012, the VSA Parties reached an understanding not to further extend the long stop date, and instead discussed about the way to proceed with the Acquisition, including doing so in or under an optimal and/or revised structure (the “**Revised Structure**”). As such, the VSA Parties may set out the terms and conditions of the Acquisition or the Revised Structure, proceed with the Acquisition or the Revised Structure regardless of the fact that the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) has lapsed as on 29 February 2012.

On 24 August 2012 (after trading hours), the VSA Parties mutually agreed to terminate the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) by entering into the Termination Agreement.

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the VSA Parties to the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) shall be released and neither party shall have any claims against the other for or on account of the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement).

Pursuant to the Termination Agreement, SV Technology shall return the Initial Deposit of HK\$10,000,000 to the Purchaser within 90 days from the date of the Termination Agreement (or such other date as the Purchaser and SV Technology may agree in writing).

For further details, please refer to the Company’s announcements dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012, 22 March 2012 and 24 August 2012, respectively, and the Company’s circular 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) (the “**Placing Agreement**”) with respect to a placing of up to 6,250,000,000 placing shares (the “**Placing**”). Owing to the then global financial turmoil, the Placing could not be completed by the long stop date on 30 September 2011; accordingly, the Placing Agreement lapsed. For further details, please refer to the Company’s announcements dated 9 June 2011, 20 July 2011 and 30 September 2011, respectively, and the Company’s circular dated 22 June 2011.

FUND RAISING ACTIVITIES *(continued)*

On 18 October 2011, the Company and FT Securities Limited (the “**Placing Agent**”) entered into the second placing agreement with respect of a placing of 6,500,000,000 placing shares to replace the Placing Agreement (collectively, the “**Second Placing Agreement**”). On 22 December 2011, the Supplemental Placing Agreement was entered into to amend the Second Placing Agreement. With the lapsing of the Sale and Purchase Agreement on 29 February 2012 reported above, the placing contemplated under the Supplemental Placing Agreement (the “**Revised Placing**”) could not proceed in its structure as enshrined under the Supplemental Placing Agreement. The Company and the Placing Agent, on 21 March 2012, entered into an agreement to terminate the Revised Placing unconditionally. For further details, please refer to the Company’s announcements dated 18 October 2011, 30 November 2011, 9 January 2012, 12 January 2012 and 22 March 2012, respectively, and the Company’s circular dated 15 November 2011.

On 16 April 2012, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure, on a best-effort basis, not less than six independent Placees to subscribe for up to 100 Options at a premium of HK\$6,000 per Option (the “**Option Placing Agreement**”). Owing to volatile market sentiment at the relevant period, the placing of options has not taken place by the long stop date of the Option Placing Agreement on 11 July 2012. Accordingly, the Option Placing Agreement was lapsed and the placing of options under the Option Placing Agreement had not proceeded.

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On 24 July 2012, the Company and the Placing Agent entered into the Second Placing Agreement pursuant to which the Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure, on a best-effort basis, not less than six independent Placees to subscribe for up to 100 Options at a premium of HK\$7,830 per Option (the “**Second Option Placing Agreement**”). Upon exercise of each of the option, the optionholder is entitled to subscribe for the convertible bonds in the principal amount of HK\$156,600 at the subscription price of HK\$156,600. Assuming that all 100 options are exercised in full, the optionholders are entitled to subscribe for, in aggregate, the convertible bonds in the principal amount of HK\$15,660,000 at the subscription price of HK\$15,660,000. The Company intends to use the funds raised from the Second Option Placing Agreement and the subscription of the convertible bonds for the Company’s general working capital. For further details, please refer to the Company’s announcements dated 19 April 2012 and 24 July 2012, respectively. As at the date of this report, this Option Placing Agreement is not yet completed.

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 the subscription right attached to 10,000,000 Warrants, respectively. Such net proceeds were fully applied to the Group’s general working capital as intended.

Each of the warrant (“**2012 Warrant**”) entitled its holder thereof to subscribe for one share at an initial warrant exercise price of HK\$0.147 per share (subject to adjustment) during a period of 24 months ended on 21 June 2012. At results, all of 552,000,000 unexercised 2012 Warrant were expired on 21 June 2012.

CAPITAL REORGANISATION

The shareholders of the Company had at the Company's extraordinary general meeting held on 21 June 2012 approved the proposed Capital Reorganisation that involves:

- (a) the Capital Reduction under which the authorised share capital of the Company will be reduced from HK\$3,000,000,000 divided into 30,000,000 shares of HK\$0.10 each to HK\$300,000,000 divided into 30,000,000,000 Reduced Shares of HK\$0.01 each and that such reduction be effected by cancelling HK\$0.09 of the paid up capital on each issued share of HK\$0.10 and reducing the par value of each issued or unissued share in the capital of the Company from HK\$0.10 per share to HK\$0.01 per Reduced Share;
- (b) the Share Consolidation under which every ten (10) Reduced Shares of HK\$0.01 each will be consolidated into one (1) Adjusted Share of HK\$0.10 each;
- (c) subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilized to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s) as the Court may direct; and
- (d) corresponding amendments to the memorandum and articles of association of the Company.

For details and the meanings of the capitalized terms used in this section, please refer to the Company's announcements dated 19 April 2012, 27 April 2012, 9 May 2012, 21 June 2012, 18 July 2012 and 14 August 2012, respectively and the Company's circular dated 29 May 2012. The application is in progress and is not yet effective as at the date of approval of these interim financial statements.

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SIGNIFICANT INVESTMENTS HELD

Save as reported in section "BUSINESS REVIEW" above, as at 30 June 2012, the Group held no other significant investments.

STAFF AND REMUNERATION

As at 30 June 2012, the Group had 14 (2011: 10) employees and total staff costs incurred during the period under review amounted to approximately HK\$2.02 million (2011: approximately HK\$2.9 million). The Group offers competitive remuneration packages to its employees.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

LITIGATION

On 14 March 2012, The Building and Loan Agency (Asia) Limited (a wholly-owned subsidiary of the Company) filed a winding-up petition in the High Court of Hong Kong against Joy Rich Development Limited for its default on full repayment of a loan in the principal amount of HK\$200,712,328.77 together with interest accrued thereon (the “**Petition**”). For further details, please refer to the Company’s announcement dated 14 March 2012.

The Building and Loan Agency (Asia) Limited subsequently decided not to proceed with the Petition after considering legal advice on the likely timing of the liquidation process and the costs involved in liquidation. Other enforcement actions may be implemented against Joy Rich Development Limited for repayment of the loan and interest accrued thereon.

Save as disclosed above, so far as known to the Board, there was no other litigation, arbitration or claim of material importance in which the Group is engaged or pending or which was threatened against the Group.

EVENTS AFTER THE REPORTING PERIOD

As reported under “FUND RAISING ACTIVITIES” above, the placing of options under the Option Placing Agreement cannot be completed. On 24 July 2012, the Company and the Placing Agent entered into the Second Option Placing Agreement to replace the Option Placing Agreement. For further details, please refer to the Company’s announcement dated 24 July 2012.

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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 of the Company. The Group will continue to explore and broaden the existing businesses in order to strengthen our competitiveness and provide business growth potential. The Group is also seeking for other investment opportunities for diversifying its business portfolios. On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to the shareholders in view of the promising market outlook.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2012, 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 Issuers (the “Model Code”).

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

As at 30 June 2012, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and/or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares & underlying Shares	Approximate percentage of share capital in issue of the Company
CGI (HK) Limited (Note 3)	Beneficial owner	388,000,000 (L)	–	388,000,000 (L)	8.92%
CGI (Offshore) Limited (Note 3)	Interest in controlled corporation	388,000,000 (L)	–	388,000,000 (L)	8.92%
Chinese Global Investors Group Limited (Note 3)	Interest in controlled corporation	388,000,000 (L)	–	388,000,000 (L)	8.92%
Express Advantage Limited (“Express Advantage”) (Note 4)	Interest in controlled corporation	273,125,000 (L)	43,700,000 (L)	316,825,000 (L)	7.28%
Liang Gui Lian (Note 4)	Interest in controlled corporation	273,125,000 (L)	43,700,000 (L)	316,825,000 (L)	7.28%
Best Leader Asia Investment Limited (“Best Leader”) (Note 4)	Interest in controlled corporation	273,125,000 (L)	43,700,000 (L)	316,825,000 (L)	7.28%
Newmargin Partners Ltd. (“Newmargin”) (Note 5)	Beneficial owner	375,000,000 (L)	1,031,250,000 (L)	1,406,250,000 (L)	32.32%
Zhuang Yan (Note 5)	Interest in controlled corporation	375,000,000 (L)	1,031,250,000 (L)	1,406,250,000 (L)	32.32%
Cross Cone Holdings Limited (“Cross Cone”) (Note 6)	Beneficial owner	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
Xu Yedong (Note 6)	Interest in controlled corporation	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
SV Technology Company Limited (“SV Technology”) (Note 7)	Beneficial owner	1,575,000,000 (L)	4,331,250,000 (L)	5,906,250,000 (L)	135.73%
JCW Technology Company Limited (“JCW Technology”) (Notes 7&8)	Interest in controlled corporation	1,575,000,000 (L)	4,331,250,000 (L)	5,906,250,000 (L)	135.73%
Wu Gang (Note 7)	Interest in controlled corporation	1,575,000,000 (L)	4,331,250,000 (L)	5,906,250,000 (L)	135.73%

Name	Capacity	Number of Shares	Number of underlying Shares	Total number of Shares & underlying Shares	Approximate percentage of share capital in issue of the Company
Wong Ho Yuen (<i>Notes 7&8</i>)	Interest in controlled corporation	1,575,000,000 (L)	4,331,250,000 (L)	5,906,250,000 (L)	135.73%
Chong Yan Ling (<i>Notes 7&8</i>)	Interest in controlled corporation	1,575,000,000 (L)	4,331,250,000 (L)	5,906,250,000 (L)	135.73%
Smart Promise Limited (" Smart Promise ") (<i>Note 9</i>)	Beneficial owner	862,500,000 (L)	2,371,875,000 (L)	3,234,375,000 (L)	74.33%
Cheng Lut Tim (<i>Note 9</i>)	Interest in controlled corporation	862,500,000 (L)	2,371,875,000 (L)	3,234,375,000 (L)	74.33%
Carbon Reserve Investments Limited (" Carbon Reserve ") (<i>Note 10</i>)	Beneficial owner	562,500,000 (L)	1,546,875,000 (L)	2,109,375,000 (L)	48.47%
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited (<i>Note 10</i>)	Beneficial Owner	562,500,000 (L)	1,546,875,000 (L)	2,109,375,000 (L)	48.47%
China Energy Conservation and Environmental Protection Group (<i>Note 10</i>)	Beneficial Owner	562,500,000 (L)	1,546,875,000 (L)	2,109,375,000 (L)	48.47%
Season Best Investments Limited (" Season Best ") (<i>Note 11</i>)	Trustee (other than a bare trustee)	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
CCB International Asset Management Limited (<i>Note 11</i>)	Interest in controlled corporation	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
CCB International (Holdings) Limited (<i>Note 11</i>)	Beneficial Owner	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
CCB Financial Holdings Limited (<i>Note 11</i>)	Interest in controlled corporation	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
CCB International Group Holdings Limited (<i>Note 11</i>)	Interest in controlled corporation	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
China Construction Bank Corporation (<i>Note 11</i>)	Interest in controlled corporation	187,500,000 (L)	515,625,000 (L)	703,125,000 (L)	16.16%
Central Huijin Investment Limited (<i>Note 11</i>)	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 4,351,488,667 shares of HK\$0.1 each ("**Shares**") of the Company in issue as at 30 June 2012.
- (2) On 22 March 2012, the Company announced, among others, that the sale and purchase agreement dated 23 February 2011 (as amended) in respect of the acquisition of the entire issued share capital in Weldtech Technology Co. Limited (the "**VSA**") lapsed on 29 February 2012 (collectively, the "**Sale and Purchase Agreement**") and the parties thereto reached an understanding with respect to their discussion on the way to proceed with the VSA, including doing so in or under an optimal and/or revised structure (the "**Revised Structure**"). As such, subject to the execution of further supplemental agreement, the VSA or the Revised Structure may be proceeded.

The shareholding structure is shown for illustration purpose only. The "Consideration Shares", "Conversion Shares" and "Convertible Notes" referred to in this table were contemplated to be issued by the Company upon completion of the VSA under the Sale and Purchase Agreement; and pursuant to conversion restrictions under the terms and conditions of the Convertible Notes, no conversion right may be exercised to the extent that such exercise or issuance of Conversion Shares would result in the Company's non-compliance with the minimum public shareholding requirement of the Listing Rules; or would trigger a mandatory general offer under Rule 26 of the Takeovers Code. For details, please refer to the circular of the Company dated 31 May 2011 and announcements of the Company dated 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012 and 22 March 2012, respectively.

- (3) Chinese Global Investors Group Limited (formerly known as Auswin Holdings Limited) is deemed to be interested in 388,000,000 shares of the Company by virtue of its 100% beneficial holding in CGI (Offshore) Limited. CGI (Offshore) Limited is deemed to be interested in 388,000,000 shares by virtue of its 100% beneficial holding in CGI (HK) Limited.
- (4) These 316,825,000 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 is owned as to 80% by 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.
- (5) These 1,406,250,000 Shares comprise (i) 375,000,000 Consideration Shares representing approximately 8.62% of the total issued capital of the Company and (ii) the Convertible Notes in the aggregate principal amount of HK\$165,000,000 that may be converted into a maximum of 1,031,250,000 Conversion Shares representing approximately 23.70% of the total issued capital of the Company, that may be issued to Newmargin by the Company pursuant to the Sale and Purchase Agreement. Newmargin is wholly-owned by Zhuang Yan. Accordingly, Zhuang Yan is taken to be interested in the Shares in which Newmargin was interested. As at the date of this report, Newmargin was not a Shareholder as explained under note (2) above.
- (6) These 703,125,000 Shares comprise (i) 187,500,000 Consideration Shares representing approximately 4.31% of the total issued capital of the Company and (ii) the Convertible Notes in the aggregate principal amount of HK\$82,500,000 that may be converted into a maximum of 515,625,000 Conversion Shares representing approximately 11.85% of the total issued capital of the Company, that may be issued to Cross Cone by the Company pursuant to the Sale and Purchase Agreement. Cross Cone is wholly-owned by Xu Ye Dong. Accordingly, Xu Ye Dong is taken to be interested in the Shares in which Cross Cone was interested. As at the date of this report, Cross Cone was not a Shareholder as explained under note (2) above.

- (7) These 5,906,250,000 Shares comprise (i) 1,575,000,000 Consideration Shares representing approximately 36.19% of the total issued capital of the Company and (ii) the Convertible Notes in the aggregate principal amount of HK\$693,000,000 that may be converted into a maximum of 4,331,250,000 Conversion Shares representing approximately 99.53% of the total issued capital of the Company, that may be issued to SV Technology by the Company pursuant to the Sale and Purchase Agreement. SV Technology is owned as to 52.5% by JCW Technology and 30.5% by Wu Gang. Accordingly, each of JCW Technology and Wu Gang is taken to be interested in the Shares in which SV Technology was interested. As at the date of this report, SV Technology was not a Shareholder as explained under note (2) above.
- (8) 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 the Shares in which JCW Technology was interested. As at the date of this report, JCW Technology was not a Shareholder as explained under note (2) above.
- (9) These 3,234,375,000 Shares comprise (i) 862,500,000 Consideration Shares representing approximately 19.82 % of the total issued capital of the Company and (ii) the Convertible Notes in the aggregate principal amount of HK\$379,500,000 that may be converted into a maximum of 2,371,875,000 Conversion Shares representing approximately 54.51% of the total issued capital of the Company, that may be issued to Smart Promise pursuant to the Sale and Purchase Agreement. Smart Promise is owned as to 60.88% by Cheng Lut Tim. Accordingly, Cheng Lut Tim is taken to be interested in the Shares in which Smart Promise was interested. As at the date of this report, Smart Promise was not a Shareholder as explained under note (2) above.
- (10) These 2,109,375,000 Shares comprise (i) 562,500,000 Consideration Shares representing approximately 12.93% of the total issued capital of the Company and (ii) the Convertible Notes in the aggregate principal amount of HK\$247,500,000 that may be converted into a maximum of 1,546,875,000 Conversion Shares representing approximately 35.55% of the total issued capital of the Company, that may be issued to Carbon Reserve pursuant to the Sale and Purchase Agreement. 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) (China Energy Conservation and Environmental Protection Group). Accordingly, each of China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited and (中國節能環保集團公司) (China Energy Conservation and Environmental Protection Group) is taken to be interested in the Shares in which Carbon Reserve was interested. As at the date of this report, Carbon Reserve was not a Shareholder as explained under note (2) above.
- (11) These 703,125,000 Shares comprise (i) 187,500,000 Consideration Shares representing approximately 4.31% of the total issued capital of the Company and (ii) the Convertible Notes in the aggregate principal amount of HK\$82,500,000 that may be converted into a maximum of 515,625,000 Conversion Shares representing approximately 11.85% of the total issued capital of the Company, that may be issued to Season Best pursuant to the Sale and Purchase Agreement. Season Best is wholly-owned by CCB International Asset Management 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 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 (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 the Shares in which Season Best was interested. As at the date of this report, Season Best was not a Shareholder as explained under note (2) above.

SHARE OPTION SCHEME

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

During the six months ended 30 June 2012, no options were granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at 30 June 2012, there was no option outstanding under the Share Option Scheme.

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 2012.

CORPORATE GOVERNANCE

During the period under review, the Company applied the principles of and complied with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rule(s)**”) on the Stock Exchange, except for the following deviations:

CG Code A.2.1 provides that the roles of chairman (the “**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. During the period under review, the Company did not appoint a Chairman or CEO. The functions of the Chairman and CEO are performed by the Directors. The Board will review the current practice from time to time and make appropriate changes if necessary.

CG Code A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lam Kwok Hing, Wilfred, a non-executive Director, was unable to attend the extraordinary general meeting (“**EGM**”) and the annual general meeting of the Company (“**AGM**”) held on 21 June 2012 and 28 June 2012 respectively, as he was on an overseas engagement. Mr. Yeung Wai Hung, Peter, an independent non-executive Director, was unable to attend the EGM due to personal reason. Mr. Lam Raymond Shiu Cheung, an independent non-executive Director, was unable to attend the AGM due to other important business engagement.

Pursuant to Listing Rule 3.10(1), every board of directors of a listed issuer must include at least three independent non-executive directors. The Company was not in compliance with Listing Rule 3.10(1) since the re-designation of Mr. Lam Kwok Hing, Wilfred from an independent non-executive Director to a non-executive Director took place on 21 October 2011, which the number of independent non-executive Directors dropped to two thereafter. In this regard, the Company immediately informed the Stock Exchange and made proper disclosure in its announcements containing the relevant details and reasons for the Company’s failure to meet the requirements. On 17 February 2012, the Company appointed Mr. Lam Raymond Shiu Cheung as an independent non-executive Director and the requirement under Listing Rule 3.10(1) was fulfilled since then.

On 3 August 2012, Mr. Ng Cheuk Fan, Keith has resigned as an independent non-executive Director. He also ceased to be the chairman of each of the audit committee, remuneration committee and nomination committee of the Company. The Company was not in compliance with Listing Rules 3.10(1) and 3.21. In addition, the Company was not in compliance with Listing Rules 3.10(2) and 3.21 since the chairman of the audit committee of the Company (the “**Audit Committee**”) will be vacant and the Board and the Audit Committee will no longer comprise at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The Company is endeavouring to identify suitable candidate to fill the vacancy as soon as practicable.

DIRECTORS’ SECURITIES TRANSACTIONS

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, 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 2012. The Audit Committee has approved the unaudited interim financial statements.

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By order of the Board

The Hong Kong Building and Loan Agency Limited

So Yuen Chun

Executive Director

Hong Kong, 28 August 2012