



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

(Stock Code: 145)

Interim Report

2016



CONTENTS

	<i>Page</i>
Corporate Information	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidation Financial Statements	8
Management Discussion and Analysis	35
Disclosure of Additional Information	39





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. So Yuen Chun

Dr. Li Ai Guo

Mr. Chong Kok Leong

Non-executive Directors

Mr. Lam Kwok Hing, Wilfred

Mr. Huang Lizhi

Independent Non-executive Directors

Ms. Yuen Wai Man

Mr. Yeung Wai Hung, Peter

Mrs. Chu Ho Miu Hing

Mr. Choy Hiu Fai, Eric

AUDIT COMMITTEE

Ms. Yuen Wai Man (*Chairman*)

Mr. Lam Kwok Hing, Wilfred

Mr. Yeung Wai Hung, Peter

NOMINATION COMMITTEE

Ms. Yuen Wai Man (*Chairman*)

Mr. Lam Kwok Hing, Wilfred

Mr. Yeung Wai Hung, Peter

Mrs. Chu Ho Miu Hing

REMUNERATION COMMITTEE

Ms. Yuen Wai Man (*Chairman*)

Mr. Lam Kwok Hing, Wilfred

Mr. Yeung Wai Hung, Peter

Mrs. Chu Ho Miu Hing

AUDITOR

HLB Hodgson Impey Cheng Limited

PRINCIPAL BANKERS

China CITIC Bank International Limited

Shanghai Pudong Development Bank

Industrial and Commercial Bank of China

The Hongkong and Shanghai Banking

Corporation Limited

Public Bank (Hong Kong) Limited

LEGAL ADVISORS

Troutman Sanders

Sidley Austin

SHARE REGISTRAR

Tricor Tengis Limited

Level 22, Hopewell Centre

183 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 (the “**Board**”) of directors (the “**Director(s)**”) of The Hong Kong Building and Loan Agency Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2016 together with the unaudited comparative figures for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	4	17,024	11,924
Cost of operation		(10,477)	(10,667)
Gross profit		6,547	1,257
Other income	5	1,155	1,362
Gain on disposal of financial assets at fair value through profit or loss		–	2,192
Fair value changes on financial assets at fair value through profit or loss		(108)	9,944
Fair value change on contingent consideration payables		–	(6,520)
Gain/(loss) on disposal of subsidiaries		40,993	(80,531)
Selling expenses		(963)	(2,663)
Administrative and operating expenses		(37,585)	(51,024)
Profit/(loss) from operation		10,039	(125,983)
Finance costs	6	(41,095)	(50,237)
Loss before taxation	7	(31,056)	(176,220)
Taxation	8	9,397	13,732
Loss for the period attributable to owners of the Company		(21,659)	(162,488)
Other comprehensive income for the period, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		68	7
Total comprehensive expense for the period attributable to owners of the Company		(21,591)	(162,481)
Loss per share	10		
– Basic and diluted, HK cents		(1.13)	(13.16)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

		30 June	31 December
		2016	2015
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Audited)
Non-current assets			
Intangible assets	11	778,663	805,905
Property, plant and equipment	12	1,521	1,910
Construction in progress		3,957	6,630
Goodwill	13	608,960	608,960
Loan receivables		–	87
Available-for-sale financial assets	14	11,464	10,089
Finance lease receivables	15	18,369	15,917
		1,422,934	1,449,498
Current assets			
Financial assets at fair value through profit or loss	16	–	12,934
Inventories		812	813
Loan receivables		–	163
Trade and bills receivables	17	3,139	123
Prepayments, deposits and other receivables	18	1,302	1,987
Finance lease receivables	15	9,565	8,529
Amounts due from customers under construction contracts		836	441
Pledged bank deposits		233	236
Cash and bank balances		44,604	79,474
		60,491	104,700
Current liabilities			
Trade and other payables	19	10,534	18,072
Amounts due to shareholders		1,756	1,543
Financial liabilities derivatives		2,267	3,400
Promissory notes	20	–	42,672
Convertible bonds	21	35,230	–
		49,787	65,687
Net current assets		10,704	39,013
Total assets less current liabilities		1,433,638	1,488,511



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

		30 June	31 December
		2016	2015
		HK\$'000	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Audited)
Non-current liabilities			
Convertible bonds	<i>21</i>	403,874	424,494
Promissory notes	<i>20</i>	89,047	90,454
Deferred tax liabilities		206,498	216,262
		699,419	731,210
Net assets			
		734,219	757,301
Capital and reserves			
Share capital	<i>22</i>	1,210,498	1,210,498
Reserves		(476,279)	(453,197)
Total equity			
		734,219	757,301





CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Available- for-sale financial assets reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015 (Audited)	667,298	-	910,937	-	337	(319,447)	1,259,125
Loss for the period	-	-	-	-	-	(162,488)	(162,488)
Other comprehensive income for the period	-	-	-	-	7	-	7
Total comprehensive income/(loss) for the period	-	-	-	-	7	(162,488)	(162,481)
Issuance of share options	-	139	-	-	-	-	139
Issuance of convertible bonds	-	-	10,296	-	-	-	10,296
Deferred tax arising on issue of convertible bonds	-	-	(1,699)	-	-	-	(1,699)
Issuance of shares upon conversion of convertible bonds	90,343	-	(39,737)	-	-	-	50,606
Issuance of shares upon placing	89,000	-	-	-	-	-	89,000
Transaction cost attributable to placing of new shares	(2,766)	-	-	-	-	-	(2,766)
At 30 June 2015 (Unaudited)	843,875	139	879,797	-	344	(481,935)	1,242,220
At 1 January 2016 (Audited)	1,210,498	471	681,228	-	(21)	(1,134,875)	757,301
Loss for the period	-	-	-	-	-	(21,659)	(21,659)
Other comprehensive income for the period	-	-	-	-	68	-	68
Total comprehensive income/(loss) for the period	-	-	-	-	68	(21,659)	(21,591)
Redemption of convertible bonds	-	-	(2,866)	-	-	-	(2,866)
Revaluation of available-for-sale financial assets	-	-	-	1,375	-	-	1,375
At 30 June 2016 (Unaudited)	1,210,498	471	678,362	1,375	47	(1,156,534)	734,219



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Net cash flow used in operating activities	(14,362)	(32,064)
Cash flows from investing activities		
Purchase of property, plant and equipment	(79)	(10)
Other interest received	–	12
Sales proceeds from disposal of property, plant and equipment	200	–
Proceeds from disposal of subsidiaries	23 1,244	1,000
Net cash flow generated from investing activities	1,365	1,002
Cash flows from financing activities		
Proceeds from issue of convertible bonds	–	58,200
Repayment of convertible bonds	(21,944)	–
Repayment of borrowings	–	(40,000)
Decrease from pledged bank deposit	3	–
Proceeds from issue of shares upon placing	–	86,234
Net cash flow (used in)/generated from financing activities	(21,941)	104,434
Net (decrease)/increase in cash and cash equivalents	(34,938)	73,372
Effect of foreign exchange rate changes	68	7
Cash and cash equivalents at the beginning of the period	79,474	17,512
Cash and cash equivalents at the end of the period	44,604	90,891
Analysis of balances of cash and cash equivalents		
Cash and bank balances	44,604	90,891





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015 as contained in the Company’s annual report 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”).

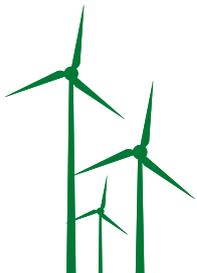
The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements are presented in HK dollars (“**HK\$**”), which is the same as the functional currency of the Group. All values are rounded to the nearest thousand, unless otherwise stated. These unaudited condensed consolidated financial statements were approved for issue on 19 August 2016.

The financial information relating to the financial year ended 31 December 2015 that is included in this interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative
- Amendments to HKAS 16 and HKAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to HKAS 27, Equity Method in Separate Financial Statements
- Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

Annual Improvements to HKFRSs 2012-2014 Cycle *(continued)*

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The amendments do not have a material impact on the presentation and disclosure of the Group's unaudited condensed consolidated financial statements.

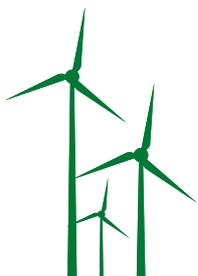
Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's unaudited condensed consolidated financial statements.

Amendments to HKAS 16 and HKAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 16 and HKAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation *(continued)*

Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the amendments do not have a material impact on the presentation and disclosure of the Group's unaudited condensed consolidated financial statements.

Amendments to HKAS 27, Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The amendments do not have a material impact on the presentation and disclosure of the Group's unaudited condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments do not have a material impact on the presentation and disclosure of the Group's unaudited condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. SEGMENT INFORMATION

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

- (a) design and provision of energy saving solutions
- (b) loan financing
- (c) treasury investments

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

Segments revenue and results

	Design and provision of energy saving solutions		Loan financing		Treasury investments		Consolidated	
	For the six months ended 30 June							
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Turnover								
External sales	17,020	10,997	4	927	-	-	17,024	11,924
Results								
Segment results	796	(9,611)	4	(660)	(108)	12,136	692	1,865
Unallocated corporate expenses							(6,348)	(13,555)
Amortisation of intangible assets							(27,242)	(27,242)
Gain/(loss) on disposal of a subsidiary							40,993	(80,531)
Fair value change on contingent consideration payables							-	(6,520)
Fair value changes on financial liabilities derivatives							1,944	-
Finance costs							(41,095)	(50,237)
Loss before taxation							(31,056)	(176,220)
Taxation							9,397	13,732
Loss for the period							(21,659)	(162,488)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. SEGMENT INFORMATION *(continued)*

Revenue reported was generated from external customers. There were no inter-segment sales during the six months ended 30 June 2016 and 2015.

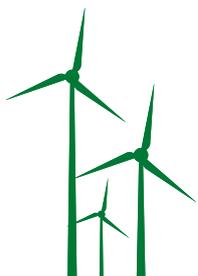
Segment results represent the profit/(loss) by each segment without allocation of centralised administration costs such as certain other income, directors' emolument, staff salaries, operating lease payments and certain legal and professional fees. This is the measure reported to the chief operating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

Segment assets and liabilities

	Design and provision of energy saving solutions		Loan financing		Treasury investments		Consolidated	
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Assets								
Segment assets	1,468,830	1,525,929	-	811	-	12,934	1,468,830	1,539,674
Unallocated corporate assets							14,595	14,524
							1,483,425	1,554,198
Liabilities								
Segment liabilities	6,831	8,934	-	-	-	-	6,831	8,934
Unallocated corporate liabilities							742,375	787,963
							749,206	796,897

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. REVENUE

Revenue represents income from design and provision of energy saving solutions, interest income from loan financing and treasury investments.

An analysis of the Group's revenue by principal activities are as follows:

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<hr/>		
Design and provision of energy saving solutions:		
Sale of goods	10,512	1,914
Sale of goods under finance lease	6,508	9,083
	<hr/>	<hr/>
	17,020	10,997
	<hr/>	<hr/>
Loan financing:		
Interest on loan receivables	4	927
	<hr/>	<hr/>
	4	927
	<hr/>	<hr/>
	17,024	11,924
	<hr/>	<hr/>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. OTHER INCOME

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Bank interest income	56	12
Interest income on finance lease receivables	1,050	1,350
Others	49	–
	1,155	1,362

6. FINANCE COSTS

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Interest expenses on borrowings	–	2,964
Imputed interest on promissory notes	7,131	12,865
Imputed interest on convertible bonds	33,964	34,408
	41,095	50,237



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs (including Directors' remuneration):		
– Directors' fee	1,320	2,433
– Salaries, bonus and wages	4,778	8,089
– Contribution to retirement benefits schemes	609	1,050
	6,707	11,572
Amortisation of intangible assets	27,242	27,242
Cost of inventories sold	10,446	9,080
Depreciation of property, plant and equipment	443	678
Operating lease payments	1,777	3,905
Share-based payment expenses	–	139



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

8. TAXATION

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Deferred taxation		
Credit for the period	(9,397)	(13,732)
	(9,397)	(13,732)

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits in Hong Kong for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

9. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(21,659)	(162,488)

	Six months ended 30 June	
	2016	2015
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,922,087	1,234,867

The computation of diluted loss per share for the period ended 30 June 2016 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

11. INTANGIBLE ASSETS

	Patent <i>HK\$'000</i>
Cost	
At 31 December 2015 and 1 January 2016 (Audited)	889,901
Additions	–
At 30 June 2016 (Unaudited)	<u>889,901</u>
Accumulated amortisation and impairment	
At 31 December 2015 and 1 January 2016 (Audited)	83,996
Amortisation expenses	27,242
At 30 June 2016 (Unaudited)	<u>111,238</u>
Carrying amounts	
At 30 June 2016 (Unaudited)	<u>778,663</u>
At 31 December 2015 (Audited)	<u>805,905</u>

Notes:

- (a) The intangible assets represent 7 patents regarding the acquired and owned "Ultra Performance Plant Control System" ("UPPC") for its novelty and industrial applicability in the PRC.
- (b) The patents for UPPC system's useful life used in the calculation of amortisation is 16.3 years.
- (c) The Group carried out a review of the recoverable amount of the patents. No impairment loss was recognised to the patents during the 6 months ended 30 June 2016 and 2015. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in used was 23.91% (2015: 18.67%). The other key assumptions used in the value in use calculation are disclosed in note 13 to the condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

12. PROPERTY, PLANT AND EQUIPMENT

The total cost of additions to the property, plant and equipment of the Group during the six months ended 30 June 2016 was approximately HK\$79,000 (six months ended 30 June 2015: approximately HK\$10,000).

13. GOODWILL

	<i>HK\$'000</i>
Cost	
As at 31 December 2015 and 1 January 2016 (Audited)	1,275,620
Additions	–
At 30 June 2016 (Unaudited)	1,275,620
Impairment	
As at 31 December 2015 and 1 January 2016 (Audited)	666,660
Impairment for the period	–
At 30 June 2016 (Unaudited)	666,660
Carrying amounts	
As at 30 June 2016 (Unaudited)	608,960
As at 31 December 2015 (Audited)	608,960

Particular of impairment testing on goodwill is disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units (“**CGU**”):

- Design and provision of energy saving solutions (“**Energy Saving Business**”)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. GOODWILL *(continued)*

Impairment testing on goodwill

The recoverable amount of the above CGU was determined on the basis of value in use calculations under income approach. The recoverable amount is based on certain assumptions. The value in use calculations use cash flow projections based on the financial budgets approved by the management covering a 10-year period. The pre-tax discount rate used is 23.91% (2015: 18.67%) per annum. Cash flows beyond 10-year period are extrapolated using a steady 3% growth rate per annum.

Impairment loss of approximately HK\$666,660,000 was recognised during the year ended 31 December 2015. In preparing the cash flow forecast for the CGU, the management have reviewed the assumptions such as industry dynamics, on-going business development of the Energy Saving Business.

The increase in pre-tax discount rate used from 18.67% to 23.91% also contributes to the impairment for the year ended 31 December 2015. Such increase is attributable to changes in market conditions, such as long-term risk rates and market equity risk premium. A Company specific risk premium has been added to account for the risks in project progress and implementation.

As the goodwill has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

The key assumption used in the value in use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflect past experience.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Listed equity securities in Taiwan, at fair value (<i>Note (i)</i>)	11,464	10,089
Total	11,464	10,089

Note:

- (i) The amounts represent the Group's interest in a company whose shares are listed on the Taiwan Stock Exchange. During the period ended 30 June 2016, an increase in fair value of approximately HK\$1,375,000 (2015: Nil) in respect of these shares held by the Group was recognised in the available-for-sales financial assets reserve. The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. FINANCE LEASE RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Current finance lease receivables	9,565	8,529
Non-current finance lease receivables	18,369	15,917
	27,934	24,446

Leasing arrangements

Certain of the Group's energy saving equipment are leased out under finance leases. All leases are denominated in RMB. The average term of finance lease entered into is 5 – 10 years.

Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Not later than 1 year	10,239	9,088	9,565	8,529
Later than one year and not later than five years	22,485	19,230	17,492	14,945
Later than five years	1,434	1,593	877	972
	34,158	29,911	27,934	24,446
Less: unearned finance income	(6,224)	(5,465)	–	–
Present value of minimum lease payments receivable	27,934	24,446	27,934	24,446



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. FINANCE LEASE RECEIVABLES *(continued)*

Amounts receivable under finance leases *(continued)*

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8.45% per annum for the period ended 30 June 2016 (31 December 2015: 8.45%).

The finance lease receivables as at 30 June 2016 are neither past due nor impaired (31 December 2015: approximately HK\$6,955,000).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Held-for-trading investments:		
Equity securities listed in Hong Kong	–	12,934

Notes

- (i) As at 31 December 2012, a loan receivables with a principal amount of HK\$60,000,000 due to The Building and Loan Agency (Asia) Limited (the “**BLA (Asia)**”) by a borrower, carried fixed interest rate at 9% per annum and the repayment of such a loan receivable was secured by a charge over certain convertible bonds issued by a listed entity in Hong Kong.

On the borrower's default in repayment, the BLA (Asia) enforced the security and the convertible bonds were converted into shares in the listed entity. The said loan receivables and interest accrued thereon has thus been repaid during the year ended 31 December 2013. The repaid amounts by such listed shares were classified as financial assets at fair value through profit or loss. For any surplus arising from the conversion of shares for the settlement, there is a possibility that the Company may face with relevant claim from the borrower. The Directors advise that all such shares have been dealt with in accordance with legal advice.

The financial assets at fair value through profit or loss were disposed during the period. Please refer to note 23 to the condensed consolidated financial statements for details of the disposal.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

17. TRADE AND BILLS RECEIVABLES

Included in trade and bills receivables, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 – 90 days	3,139	123
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	–	–
Total trade receivables	3,139	123
Bills receivables	–	–
	3,139	123

According to the credit rating of different customers, the Group allows average credit term of 90 days to its customers.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Prepayments	518	962
Receivables from disposal of subsidiaries	9,200	9,200
Other receivables	140	8
Rental deposit	644	1,017
	10,502	11,187
Less: accumulated impairment allowance	(9,200)	(9,200)
	1,302	1,987

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

	Accumulated impairment allowance on interest receivables HK\$'000	Accumulated impairment allowance on other receivables HK\$'000	Total HK\$'000
At 31 December 2015 and 1 January 2016 (Audited)	–	9,200	9,200
At 30 June 2016 (Unaudited)	–	9,200	9,200

As at 30 June 2016 and 31 December 2015, the receivables from disposal of a subsidiary amounting to HK\$9,200,000 was overdue and an impairment allowance of HK\$9,200,000 was provided in previous years.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

19. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables	2,329	2,010
Accrued service fee for acquisition of a subsidiary	3,871	3,871
Accrued expenses	2,067	5,116
Receipt in advance	1,641	4,020
Interest payables	100	2,200
Other payables	526	855
	10,534	18,072

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 to 90 days	805	1,132
91 to 180 days	1,013	154
181 to 365 days	–	37
Over 365 days	511	687
	2,329	2,010

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

20. PROMISSORY NOTES

The movement of the carrying amount of the PN A and PN 2015 during the period ended 30 June 2016 and 31 December 2015 is set out below:

	PN A HK\$'000	PN 2015 HK\$'000	Total HK\$'000
At 1 January 2015 (Audited)	192,891	–	192,891
Issuances of promissory notes	–	41,000	41,000
Interest charged calculated at an effective interest rate	19,117	1,672	20,789
Disposal of a subsidiary	(121,554)	–	(121,554)
At 31 December 2015 and 1 January 2016 (Audited)	90,454	42,672	133,126
Interest charged calculated at an effective interest rate	6,336	795	7,131
Disposal of a subsidiary (<i>Note a</i>)	(7,743)	(43,467)	(51,210)
At 30 June 2016 (Unaudited)	89,047	–	89,047

- (a) Promissory notes of principal amount HK\$51,210,000 were disposed during the Group's disposal of BLA (Asia).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. CONVERTIBLE BONDS (“CB”)

(a) The movement of CB A and CB B are as follows:

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

No conversion of shares has been exercised for the principal amount of CB A and CB B during the six months period ended 30 June 2016.

(b) The movement of CB 2015 is as follows:

On 15 June 2015, the Company issued convertible bonds (“CB 2015”) with a principal amount of HK\$60,000,000, which bears a 6% coupon rate per annum. CB 2015 will mature on the second anniversary of the issue date and can be converted into ordinary shares of the Company at HK\$0.89 per share after the date of issue. The effective interest rate of the liability component on initial recognition is 17.81% per annum.

Principal amount of an aggregate HK\$20,000,000 have been redeemed during the period ended 30 June 2016.

22. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	'000	'000	HK\$'000	HK\$'000
			(Unaudited)	(Audited)
At the beginning and at the end of the period/year	1,922,086	1,922,086	1,210,498	1,210,498



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

23. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2016, the Group entered into sale and purchase agreements to dispose the entire issued share capital of BLA (Asia) and certain subsidiaries (the “**Disposed Group**”) to independent third parties for a total cash consideration of HK\$1,390,000 (the “**Disposal**”). The Disposal was completed during the six months ended 30 June 2016. Summary of the effects of the Disposal is as follows:

	<i>HK\$'000</i> (Unaudited)
Net liabilities of the Disposed Group:	
Property, plant and equipment	(19)
Cash and bank balances	(146)
Financial assets at fair value through profit or loss	(12,007)
Prepayments, deposits and other receivables	(694)
Trade and other payables	1,259
Promissory notes	51,210
Net liabilities of the Disposed Group	<u>39,603</u>

Gain on disposal of subsidiaries

	<i>HK\$'000</i> (Unaudited)
Consideration received	1,390
Net liabilities of the Disposed Group	<u>39,603</u>
Gain on disposal	<u>40,993</u>

Net cash inflow from disposal of subsidiaries

	<i>HK\$'000</i> (Unaudited)
Consideration received in cash and cash equivalents	1,390
Less: cash and cash equivalent balances disposed of	<u>(146)</u>
Net cash inflow from disposal of subsidiaries	<u>1,244</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

24. OPERATING LEASE COMMITMENT

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	579	2,720
In the second to fifth years inclusive	149	395
	728	3,115

Leases are negotiated and rental are fixed for term of 1 to 2 years (2015: 1 to 3 years).

25. CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2016 (31 December 2015: approximately HK\$5,213,000).

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

- (i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively; and
- (ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

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

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identified assets and liabilities.
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 June 2016			Total HK\$'000 (Unaudited)
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	
Financial assets				
Available-for-sale financial assets				
Equity securities listed in				
Taiwan	11,464	–	–	11,464
Financial liabilities				
Financial liabilities derivatives	–	–	2,267	2,267



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

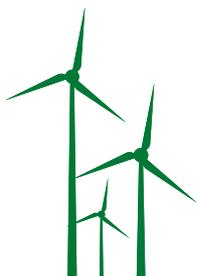
26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

	31 December 2015			Total <i>HK\$'000</i> (Audited)
	Level 1	Level 2	Level 3	
	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	
Financial assets				
Financial assets at FVTPL				
Equity securities listed in				
Hong Kong	12,934	–	–	12,934
Available-for-sale financial assets				
Equity securities listed				
in Taiwan	10,089	–	–	10,089
	23,023	–	–	23,023
Financial liabilities				
Financial liabilities derivatives	–	–	3,400	3,400

The fair value of financial instruments is based on quoted market prices provided by the issuer.

There were no transfers between Levels 1 and 2 during the six months ended 30 June 2016.

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2016 and 31 December 2015.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in design and provision of energy saving solutions, provision of loan financing and treasury investments.

During the six months ended 30 June 2016, the Group recorded an unaudited revenue of approximately HK\$17,024,000, representing an increase of approximately 43% as compared with approximately HK\$11,924,000 for the last corresponding period. An unaudited loss attributable to the owners of the Company of approximately HK\$21,659,000 (2015: loss of approximately HK\$162,488,000) was recorded. Such decrease in loss was mainly attributable to the improvement in gross profit, decrease of administrative and operating expenses and a one-off gain of approximately HK\$40,993,000 on disposal of subsidiaries.

With respect to the segment of design and provision of energy saving solutions, a segment profit of approximately HK\$796,000 was recorded for the six months ended 30 June 2016 (2015: loss of approximately HK\$9,611,000). The improvement in operating results was due to (1) the increase in average project size during the six months ended 30 June 2016 while maintaining number of projects similar to the corresponding period in 2015; and (2) the tightened control in project and operating costs.

Of the total revenue, approximately HK\$4,000 (2015: approximately HK\$927,000) was generated from the Group's loan financing business which contributed a segment gain of approximately HK\$4,000 (2015: loss of approximately HK\$660,000). The decrease in revenue from loan financing segment was due to the disposal of a subsidiary during the period. Due to the volatile market conditions in the first half of 2016, the Group was unable to identify new loan projects commanding the target risk and return profile to replenish the loan portfolio of the Group during the period.

With respect to the segment of treasury investments, a segment loss of approximately HK\$108,000 was recorded for the six months ended 30 June 2016, as compared with the segment profit of approximately HK\$12,136,000 in the last corresponding period. The loss recorded for the treasury investments segment was mainly attributable to the decrease in the share prices of the equity securities held for investments.



LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's cash and bank balances amounted to approximately HK\$44,604,000 (31 December 2015: approximately HK\$79,474,000), and it had outstanding convertible bonds of approximately HK\$439,104,000 (31 December 2015: approximately HK\$424,494,000) and promissory notes of approximately HK\$89,047,000 (31 December 2015: approximately HK\$133,126,000). The net assets and the net current assets of the Group amounted to approximately HK\$734,219,000 (31 December 2015: approximately HK\$757,301,000) and approximately HK\$10,704,000 (31 December 2015: approximately HK\$39,013,000), respectively.

The gearing ratio of the Group as at 30 June 2016, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 0.40 (31 December 2015: 0.39).

CAPITAL STRUCTURE

As at 30 June 2016, the Company's number of issued ordinary shares was 1,922,086,816 ("**Share(s)**") (as at 31 December 2015: 1,922,086,816 Shares).

As at 30 June 2016, the Company had HK\$305,545,700 convertible bond A (the "**CB A**") outstanding which could be converted into 381,932,124 Shares at the conversion price of HK\$0.80 per share. During the six months ended 30 June 2016, no new Shares were issued from the conversion of such convertible bonds.

As at 30 June 2016, the Company had HK\$639,612,430 convertible bond B (the "**CB B**") outstanding which could be converted into 799,515,538 Shares at the conversion price of HK\$0.80 per share. During the six months ended 30 June 2016, no new Shares were issued from the conversion of such convertible bonds.

As at 30 June 2016, the Company had HK\$40,000,000 convertible bonds (the "**CB 2015**") outstanding which could be converted into 44,943,820 Shares at the conversion price of HK\$0.89 per share. During the six months ended 30 June 2016, no new Shares were issued from the conversion of such convertible bonds, HK\$20,000,000 convertible bonds were redeemed. Subsequent to the reporting period, a sum of HK\$6,000,000 convertible bonds were redeemed.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2016, the Group pledged the bank deposits of approximately HK\$233,000 (31 December 2015: approximately HK\$236,000) as the security deposit for the warranty fund of sale of goods.

As at 30 June 2016, the Group did not have material contingent liabilities (31 December 2015: nil).



FOREIGN CURRENCY EXPOSURE

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

DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2016, the Group entered into sale and purchase agreements to dispose the entire issued share capital of BLA (Asia) and certain subsidiaries to independent third parties for a total cash consideration of HK\$1,390,000 (the “**Disposal**”). The Disposal was completed during the six months ended 30 June 2016. The Group recorded a gain of approximately HK\$40,993,000 as a result of the Disposal.

Save as disclosed above, there was no material disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2016.

MATERIAL ACQUISITION AND INVESTMENTS

The Group did not make any material acquisition and investment during the six months ended 30 June 2016.

FUND RAISING ACTIVITIES

The Group did not make any fund raising activity during the six months ended 30 June 2016.

STAFF AND REMUNERATION

As at 30 June 2016, the Group had 38 (2015: 52) employees and total staff costs incurred during the period under review amounted to approximately HK\$6,707,000 (2015: approximately HK\$11,572,000). The Group offers competitive remuneration packages to its employees.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

LITIGATION

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



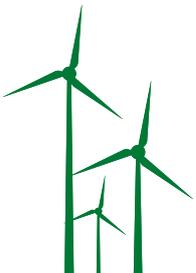


OUTLOOK AND PROSPECT

Although the Group was facing fierce competition in the energy saving industry during the period and the management expects this phenomenon will continue in the foreseeable future, it is expected that the increasing awareness of the energy saving social responsibility, the continuous support of the PRC government in the area of energy saving and environment protection and taking full advantage of the government's favorable policies, the management is positive towards the industry. The Company will continue to provide ample opportunities for the Energy Saving Business of the Group in the years to come.

The market conditions for loan financing and treasury investments remain challenging. The Group will continue to explore potential investment opportunities with appropriate risk and return profile in the segments.

The Group will continue to explore various funding sources including project financing, debt financing and/or equity fundraising to finance the development of the Group's businesses.



DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2016, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

Long positions in ordinary shares of the Company

Name of Directors	Capacity	Number of Shares held	Number of underlying shares held (Note)	Percentage of the issued number of shares as at 30 June 2016
Mr. So Yuen Chun	Beneficial interest	4,351,200	–	0.22%
Ms. Khoo Pui Wun	Beneficial interest	128,000	1,000,000	0.06%

Note: All are options granted by the Company under the share option scheme adopted by the Company on 22 May 2008 which shall be valid and effective for a period of ten years from the date of adoption. Since Ms. Khoo resigned on 5 July 2016, the relevant options relating to the 1,000,000 underlying shares were lapsed.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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

As at 30 June 2016, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and/or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of Underlying Shares	Approximate percentage of number of Shares in issue (Note 1)
CITIC Group Corporation (Note 2)	Interest of controlled corporation	102,552,205 (L)	934,846,668 (L)	53.97%
CITIC Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	934,846,668 (L)	53.97%
China CITIC Bank Corporation Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	934,846,668 (L)	53.97%
CITIC International Financial Holdings Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	934,846,668 (L)	53.97%
CITIC International Assets Management Limited ("CIAM") (Note 2)	Beneficial owner	102,552,205 (L)	934,846,668 (L)	53.97%
Chinese Strategic Holdings Limited ("Chinese Strategic") (Note 3)	Interest of controlled corporation	403,924,000 (L)	–	21.01%
Sina Winner Investment Limited ("Sina Winner") (Note 3)	Beneficial owner	306,304,000 (L)	–	15.93%
Cheng Lut Tim ("Mr. Cheng") (Note 4)	Beneficial owner	65,272,171 (L)	113,665,538 (L)	9.31%
Wang Qin (Note 5)	Interest of controlled corporation	9,860,789 (L)	91,538,575 (L)	5.27%
Newmargin Partners Ltd. ("Newmargin") (Note 5)	Beneficial owner	9,860,789 (L)	91,538,575 (L)	5.27%

(L) denotes the long position held in the Shares



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

Notes:

- (1) As at 30 June 2016, the Company's number of issued Share was 1,922,086,816.
- (2) These Shares comprise (i) 102,552,205 Shares held by CIAM; (ii) 911,251,162 conversion shares to be allotted and issued to CIAM upon the exercise of the conversion rights attaching to the Convertible Bonds issued to CIAM pursuant to the sale and purchase agreement on 31 October 2013 and (iii) 23,595,506 conversion shares to be allotted and issued to CIAM upon the exercise of the conversion rights attaching to the Convertible Bonds issued to CIAM under the CB Placing 2015. CIAM is owned as to 40% by CITIC International Financial Holdings Limited, which is owned as to 70.32% by China CITIC Bank Corporation Limited, which is owned as to 66.95% by CITIC Limited, which is wholly-owned by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the Shares held by CIAM.
- (3) These Shares comprise 306,304,000 Shares held by Sina Winner, which is wholly owned by Chinese Strategic and the remaining Shares held by other subsidiaries of Chinese Strategic.
- (4) These Shares comprise (i) 53,250,000 conversion shares to be allotted and issued to Ample Richness Investments Limited ("**Ample Richness**") upon the exercise of the conversion rights attaching to the convertible bonds issued to Ample Richness; (ii) Infinite Soar Limited ("**Infinite Soar**") is interested in 82,469,170 Shares, of which 60,415,538 conversion shares to be allotted and issued to Infinite Soar upon the exercise of the conversion rights attaching to the convertible bonds issued to Infinite Soar pursuant to the sale and purchase agreement on 31 October 2013; and (iii) Smart Promise Limited is interested in 43,218,539 Shares. As at 30 June 2016, both Ample Richness and infinite Soar Limited are wholly-owned by Mr. Cheng, and Smart Promise Limited is owned as to 60.88% by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in the Shares held by Ample Richness, Smart Promise Limited and Infinite Soar.
- (5) These Shares comprise (i) 9,860,789 Shares held by Newmargin and (ii) 91,538,575 conversion shares to be allotted and issued to Newmargin upon the exercise of the conversion rights attaching to the convertible bonds issued to Newmargin pursuant to the sale and purchase agreement on 31 October 2013. Newmargin is wholly-owned by Mr. Wang Qin. By virtue of the SFO, Mr. Wang Qin is taken to be interested in Shares held by Newmargin.



SHARE OPTION SCHEME

The Company operates a share option scheme adopted by the shareholders of the Company (the “**Shareholders**”) on 22 May 2008 (the “**Share Option Scheme**”) which shall be valid and effective for a period of ten years from the date of adoption, pursuant to which the Board may, at its discretion, grant options to any eligible participants.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity. Eligible participants include any employee (whether full time or part time), any executive Director and any non-executive Director (including independent non-executive Directors), or any of its subsidiaries or invested entity in which any member of the Group holds any equity interest, any shareholder of any member of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity and any other person (such as consultant, adviser, business partner or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Under the Share Option Scheme, where any further grant of options to an eligible participant, if exercised in full, would result in the total number of shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of shares in issue (the “**Individual Limit**”), such further grant must be separately approved by the Shareholders in general meeting. Save for the foregoing, no eligible participant shall be granted an option if exercised in full, would exceed the Individual Limit. In addition, where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such further grant of options must be approved by the Shareholders.

A consideration of HK\$1 is payable on acceptance of the grant of an option. An option may be exercised in whole or in part by the grantee within the option period as determined and notified by the Board to the grantee. The Share Option Scheme does not specify a minimum period for which an option must be held before an option can be exercised. However, the provisions of the Share Option Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the date of grant.



SHARE OPTION SCHEME (continued)

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

The refreshment of the maximum number of Shares which may be allotted and issued upon the exercise of all share options which shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders (the “**Scheme Mandate Limit**”), in which the existing Scheme Mandate Limit was approved by the Shareholders in the annual general meeting of the Company on 26 June 2015 and the outstanding number of options available for issue under the existing Scheme Mandate Limit as at 30 June 2016 is 146,368,809 (in which 1,000,000 options from the existing Scheme Mandate Limit were granted to Ms. Khoo), representing 7.62% of the issued shares as at the date of this report.

Details of the share options movements during the six months ended 30 June 2016 (the “**Period**”) under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Outstanding as at 01.01.2016	Granted during the Period	Number of share options			Outstanding as at 30.06.2016	Validity period of share options	Exercise price
				Exercised during the Period	Lapsed during the Period	Cancelled during the Period			
Director									
Ms Khoo Pui Wun (Note)	31.12.2015	1,000,000	-	-	-	-	1,000,000	01.01.2017 to 31.12.2018	HK\$0.800
Employee									
Ms. Diana Liu He	22.01.2015	4,000,000	-	-	-	-	4,000,000	22.01.2016 to 21.01.2018	HK\$0.900
	22.01.2015	4,000,000	-	-	-	-	4,000,000	22.01.2017 to 21.01.2019	HK\$1.500
Total		9,000,000	-	-	-	-	9,000,000		

Note: Since Ms. Khoo resigned on 5 July 2016, the 1,000,000 share options granted to her lapsed on 5 July 2016 upon her resignation.

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 2016.



CORPORATE GOVERNANCE

During the six months ended 30 June 2016, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, except for the following deviations:

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

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain Directors were unable to attend the annual general meeting of the Company held on 24 June 2016 due to other important business engagement.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information during the six months ended 30 June 2016 on Directors are as follows:

Mrs. Chu Ho Miu Hing, an independent non-executive Director, ceased to be a member of the general committee of the Chamber of Hong Kong Listed Companies on 28 June 2016.

Mr. Yeung Wai Hung, Peter, an independent non-executive Director, has been appointed as an independent non-executive director of TeleEye Holdings Limited (stock code: 8051), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 10 June 2016.

DIRECTORS’ SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2016. The Audit Committee has approved the unaudited interim financial statements.

On behalf of the Board

The Hong Kong Building and Loan Agency Limited

Chong Kok Leong

Executive Director

Hong Kong, 19 August 2016

