



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

(Stock Code: 145)



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**CORPORATE INFORMATION** *(as at 8 September 2017)***BOARD OF DIRECTORS****Executive Directors**

Mr. So Yuen Chun  
Dr. Li Ai Guo  
Mr. Chong Kok Leong  
Mr. Zhuang Miao Zhong

**Non-executive Director**

Mr. Lam Kwok Hing, Wilfred

**Independent Non-executive Directors**

Ms. Yuen Wai Man  
Mr. Yeung Wai Hung, Peter  
Mr. Choy Hiu Fai, Eric  
Mr. Huang Lizhi

**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

**REMUNERATION COMMITTEE**

Ms. Yuen Wai Man (*Chairman*)  
Mr. Lam Kwok Hing, Wilfred  
Mr. Yeung Wai Hung, Peter

**AUDITOR**

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

**PRINCIPAL BANKERS**

China CITIC Bank International Limited  
Industrial and Commercial Bank of China  
Shanghai Pudong Development Bank  
The Hongkong and Shanghai Banking  
Corporation Limited

**LEGAL ADVISORS**

Troutman Sanders  
WT Law Offices

**SHARE REGISTRAR**

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**REGISTERED OFFICE**

Unit 2305, 23/F  
Convention Plaza Office Tower  
1 Harbour Road  
Wanchai  
Hong Kong

**STOCK CODE**

145

**WEBSITE**

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

**COMPANY SECRETARY**

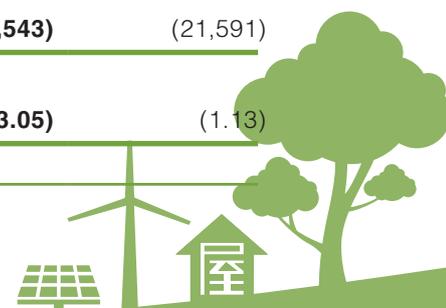
Mr. So Yuen Chun

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	4	<b>4,853</b>	17,024
Cost of operation		<b>(3,080)</b>	(10,477)
<b>Gross profit</b>		<b>1,773</b>	6,547
Other income	5	<b>1,147</b>	1,155
Other gains and losses	6	<b>220</b>	1,944
Fair value changes on financial assets at fair value through profit or loss		–	(108)
Gain on disposal of subsidiaries		–	40,993
Selling expenses		<b>(1,399)</b>	(963)
Administrative and operating expenses		<b>(37,061)</b>	(39,529)
<b>(Loss)/profit from operations</b>		<b>(35,320)</b>	10,039
Finance costs	7	<b>(43,631)</b>	(41,095)
<b>Loss before taxation</b>	8	<b>(78,951)</b>	(31,056)
Taxation	9	<b>9,997</b>	9,397
<b>Loss for the period</b>		<b>(68,954)</b>	(21,659)
<b>Other comprehensive income/(loss) for the period, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Loss on revaluation of available-for-sale financial assets		<b>(508)</b>	–
Exchange differences arising on translation of foreign operations		<b>1,919</b>	68
Other comprehensive income for the period, net of tax		<b>1,411</b>	68
<b>Total comprehensive loss for the period, net of tax</b>		<b>(67,543)</b>	(21,591)
<b>Loss for the period attributable to owners of the Company</b>		<b>(68,954)</b>	(21,659)
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<b>(67,543)</b>	(21,591)
<b>Loss per share</b>	11		
– Basic and diluted, HK cents		<b>(3.05)</b>	(1.13)





## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

		<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Intangible assets	<i>12</i>	<b>724,179</b>	751,421
Property, plant and equipment	<i>13</i>	<b>847</b>	1,143
Construction in progress		<b>21,932</b>	2,201
Goodwill	<i>14</i>	<b>498,579</b>	498,579
Available-for-sale financial assets	<i>15</i>	<b>11,374</b>	11,047
Finance lease receivables	<i>16</i>	<b>12,427</b>	14,291
		<b>1,269,338</b>	1,278,682
<b>Current assets</b>			
Inventories		<b>659</b>	648
Trade and bills receivables	<i>17</i>	<b>1,089</b>	2,271
Prepayments, deposits and other receivables	<i>18</i>	<b>2,235</b>	1,234
Finance lease receivables	<i>16</i>	<b>9,606</b>	8,997
Amounts due from customers under construction contracts		<b>1,900</b>	693
Cash and bank balances		<b>101,961</b>	34,360
		<b>117,450</b>	48,203
<b>Current liabilities</b>			
Trade and other payables	<i>19</i>	<b>7,244</b>	11,447
Amounts due to shareholders		<b>26</b>	1,790
Convertible bonds	<i>21</i>	–	30,883
Financial liabilities derivatives		–	419
		<b>7,270</b>	44,539
<b>Net current assets</b>		<b>110,180</b>	3,664
<b>Total assets less current liabilities</b>		<b>1,379,518</b>	1,282,346

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

		<b>30 June</b>	31 December
		<b>2017</b>	2016
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>			
Convertible bonds	<i>21</i>	<b>468,881</b>	435,173
Promissory notes	<i>20</i>	<b>102,764</b>	95,660
Deferred tax liabilities		<b>187,213</b>	197,210
		<b>758,858</b>	728,043
<b>Net assets</b>			
		<b>620,660</b>	554,303
<b>Capital and reserves</b>			
Share capital	<i>22</i>	<b>1,344,398</b>	1,210,498
Reserves		<b>(723,738)</b>	(656,195)
<b>Total equity</b>			
		<b>620,660</b>	554,303





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	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 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
At 1 January 2017 (Audited)	1,210,498	607	677,360	958	(2,185)	(1,332,935)	554,303
Loss for the period	-	-	-	-	-	(68,954)	(68,954)
Other comprehensive income/(loss) for the period	-	-	-	(508)	1,919	-	1,411
Total comprehensive income/(loss) for the period	-	-	-	(508)	1,919	(68,954)	(67,543)
Redemption of convertible bonds	-	-	(4,729)	-	-	4,729	-
Issuance of shares upon placing (Note 22)	138,400	-	-	-	-	-	138,400
Transaction cost attributable to placing new shares	(4,500)	-	-	-	-	-	(4,500)
<b>At 30 June 2017 (Unaudited)</b>	<b>1,344,398</b>	<b>607</b>	<b>672,631</b>	<b>450</b>	<b>(266)</b>	<b>(1,397,160)</b>	<b>620,660</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Net cash flow used in operating activities</b>		<b>(34,359)</b>	(14,362)
<b>Cash flows from investing activities</b>			
Purchase of available-for-sale financial assets		(835)	–
Purchase of property, plant and equipment		(5)	(79)
Other interest received		11	–
Sales proceeds from disposal of property, plant and equipment		–	200
Proceeds from disposal of subsidiaries	23	–	1,244
<b>Net cash flow (used in)/generated from investing activities</b>		<b>(829)</b>	1,365
<b>Cash flows from financing activities</b>			
Repayment of convertible bonds		(33,000)	(21,944)
Decrease from pledged bank deposit		–	3
Proceeds from issue of shares upon placing, net of share issuing cost		133,900	–
<b>Net cash flow generated from/(used in) financing activities</b>		<b>100,900</b>	(21,941)
Net increase/(decrease) in cash and cash equivalents		<b>65,712</b>	(34,938)
Cash and cash equivalents at the beginning of the period		<b>34,360</b>	79,474
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		<b>1,889</b>	68
<b>Cash and cash equivalents at the end of the period</b>		<b>101,961</b>	44,604
<b>Analysis of balances of cash and cash equivalents</b>			
<b>Cash and bank balances</b>		<b>101,961</b>	44,604





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 1. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016 as contained in the Company’s annual report 2016, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”).

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

The unaudited condensed consolidated financial statements are presented in HK dollars (“**HK\$**”), which is the same as the functional currency of the Group. All values are rounded to the nearest thousand, unless otherwise stated. These unaudited condensed consolidated financial statements were approved for issue on 18 August 2017.

The financial information relating to the financial year ended 31 December 2016 that is included in this interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 2. CHANGES IN ACCOUNTING POLICIES

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

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

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

### 3. SEGMENT INFORMATION

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

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





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 3. SEGMENT INFORMATION *(continued)*

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

#### Segments revenue and results

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 3. SEGMENT INFORMATION *(continued)*

#### Segment assets and liabilities

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

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

- all assets are allocated to reportable segments other than corporate financial assets. Goodwill and intangible assets are allocated to design and provision of energy saving solutions.
- all liabilities are allocated to reportable segments other than corporate financial liabilities, deferred tax liabilities, convertible bonds, promissory notes and financial liabilities derivatives.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 4. REVENUE

Revenue represents income from loan financing and design and provision of energy saving solutions.

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loan financing:		
Interest on loan receivables	–	4
Design and provision of energy saving solutions:		
Sale of goods	<b>4,821</b>	10,512
Sale of goods under finance lease	–	6,508
Repair and maintenance service fee income	<b>32</b>	–
	<b>4,853</b>	17,020
	<b>4,853</b>	17,024

### 5. OTHER INCOME

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 6. OTHER GAINS AND LOSSES

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

### 7. FINANCE COSTS

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





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 8. LOSS BEFORE TAXATION

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

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

### 9. TAXATION

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

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits in Hong Kong for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 10. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### 11. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>(68,954)</b>	(21,659)

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

The denominators used are the same as those detailed above for basic and diluted loss per share.

Note: The computation of diluted loss per share for the six months ended 30 June 2017 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 12. INTANGIBLE ASSETS

	<b>Patent</b> <i>HK\$'000</i>
<hr/>	
<b>Cost</b>	
At 31 December 2016 and 1 January 2017 (Audited)	889,901
Additions	–
	<hr/>
At 30 June 2017 (Unaudited)	889,901
	<hr/>
<b>Accumulated amortisation and impairment</b>	
At 31 December 2016 and 1 January 2017 (Audited)	138,480
Amortisation expenses	27,242
	<hr/>
At 30 June 2017 (Unaudited)	165,722
	<hr/>
<b>Carrying amounts</b>	
<b>At 30 June 2017 (Unaudited)</b>	<b>724,179</b>
	<hr/>
At 31 December 2016 (Audited)	751,421
	<hr/>

*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 under cash generating units of design and provision of energy saving solutions business.
- (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 which are allocated to energy saving solution business for impairment assessments. The valuation method and other key assumptions used in the value in use of the calculation of recoverable amount are disclosed in 14 to the condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 13. 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 2017 was approximately HK\$5,000 (six months ended 30 June 2016: approximately HK\$79,000).

### 14. GOODWILL

	<i>HK\$'000</i>
<b>Cost</b>	
As at 31 December 2016 and 1 January 2017 (Audited)	1,275,620
Additions	–
At 30 June 2017 (Unaudited)	1,275,620
<b>Impairment</b>	
As at 31 December 2016 and 1 January 2017 (Audited)	777,041
Impairment for the period	–
At 30 June 2017 (Unaudited)	777,041
<b>Carrying amounts</b>	
<b>As at 30 June 2017 (Unaudited)</b>	<b>498,579</b>
As at 31 December 2016 (Audited)	498,579

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 2017

### 14. 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. All 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 16.93% per annum. Cash flows beyond 10-year period are extrapolated using a steady 3% growth rate per annum.

Impairment loss of approximately HK\$110,381,000 was recognised during the year ended 31 December 2016.

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 2017

### 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Unlisted equity securities in Hong Kong, net, at cost ( <i>Note (i)</i> )	<b>835</b>	–
Listed equity securities in Taiwan, at fair value ( <i>Note (ii)</i> )	<b>10,539</b>	11,047
Total	<b>11,374</b>	11,047

*Note:*

- (i) The unlisted investments represent investments in unlisted equity securities in 9% as at 30 June 2017 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.
- (ii) The amounts represent the Group's interest in a company whose shares are listed on the Taiwan Stock Exchange. The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period. During the period ended 30 June 2017, a decrease in fair value of approximately HK\$508,000 (2016: an increase of HK\$1,375,000) in respect of these shares held by the Group was recognised in the available-for-sales financial assets reserve.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 16. FINANCE LEASE RECEIVABLES

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Current finance lease receivables	<b>9,606</b>	8,997
Non-current finance lease receivables	<b>12,427</b>	14,291
	<b>22,033</b>	23,288

#### 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

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Not later than 1 year	<b>10,198</b>	9,620	<b>9,606</b>	8,997
Later than one year and not later than five years	<b>15,453</b>	17,994	<b>12,159</b>	14,076
Later than five years	<b>448</b>	350	<b>268</b>	215
	<b>26,099</b>	27,964	<b>22,033</b>	23,288
Less: unearned finance income	<b>(4,066)</b>	(4,676)	–	–
Present value of minimum lease payments receivable	<b>22,033</b>	23,288	<b>22,033</b>	23,288



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 16. 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 2017 (31 December 2016: 8.45%).

No impairment loss of finance lease receivables have been recognised for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### 17. TRADE AND BILLS RECEIVABLES

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

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

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





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 17. TRADE AND BILLS RECEIVABLES *(continued)*

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

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

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Prepayments	620	903
Receivables from disposal of subsidiaries	9,200	9,200
Other receivables	1,255	–
Rental deposit and other deposit	360	331
	<b>11,435</b>	10,434
<i>Less:</i> accumulated impairment allowance	<b>(9,200)</b>	(9,200)
	<b>2,235</b>	1,234

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

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

	<b>Accumulated impairment allowance on interest receivables</b> <i>HK\$'000</i>	<b>Accumulated impairment allowance on other receivables</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 31 December 2016 and 1 January 2017 (Audited)	–	9,200	9,200
<b>At 30 June 2017 (Unaudited)</b>	<b>–</b>	<b>9,200</b>	<b>9,200</b>

As at 30 June 2017 and 31 December 2016, 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.

### 19. TRADE AND OTHER PAYABLES

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





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 19. TRADE AND OTHER PAYABLES *(continued)*

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

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

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

### 20. PROMISSORY NOTES

The movement of the carrying amount of the PN A and PN 2015 during the period ended 30 June 2017 and 31 December 2016 is set out below:

	<b>PN A HK\$'000</b>	<b>PN 2015 HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2016 (Audited)	90,454	42,672	133,126
Interest charged calculated at an effective interest rate of PN A 15.4%/PN2015 12%	12,948	795	13,743
Disposal of a subsidiary <i>(Note (i))</i>	(7,742)	(43,467)	(51,209)
At 31 December 2016 and 1 January 2017 (Audited)	95,660	–	95,660
Interest charged calculated at an effective interest rate of PN A 15.4%	7,104	–	7,104
<b>At 30 June 2017 (Unaudited)</b>	<b>102,764</b>	<b>–</b>	<b>102,764</b>

*Note:*

- (i) PN 2015 was disposed through disposal of subsidiaries of the Group. For further details, please refer to note 23 to the condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 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 2017.

**(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 be matured 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.

On 14 June 2017, the maturity date, all convertible bonds outstanding were repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. Principal amount of an aggregate HK\$33,000,000 have been redeemed during the period ended 30 June 2017.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 22. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2017 '000	31 December 2016 '000	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Issued and fully paid:				
At the beginning of the period/year	1,922,086	1,922,086	1,210,498	1,210,498
Issuance of shares upon placing (Note (i))	384,416	–	133,900	–
At the end of the period/year	2,306,502	1,922,086	1,344,398	1,210,498

Note:

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

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

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 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:

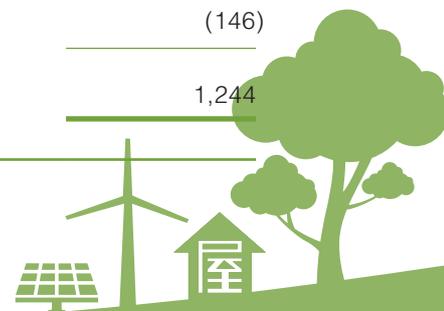
	<i>HK\$'000</i>
	(Unaudited)
<b>Net liabilities of the Disposed Group:</b>	
Property, plant and equipment	(19)
Cash and bank balances	(146)
Financial assets at fair value through profit or loss	(12,007)
Prepayments, deposits and other receivables	(694)
Trade and other payables	1,259
Promissory notes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

#### Gain on disposal of subsidiaries

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

#### 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	(146)
	<hr/>
Net cash inflow from disposal of subsidiaries	1,244
	<hr/>





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 24. OPERATING LEASES

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:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Within one year	<b>1,417</b>	470

Leases are negotiated and rental are fixed for term of 1 to 2 years (2016: 1 year).

### 25. CAPITAL COMMITMENT

Capital commitments at each of the end of the reporting period contracted but not provided for in the consolidated financial statements were as follows:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Commitments for the construction contract	<b>14,382</b>	52

### 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 2017

### 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).

#### Assets and liabilities measured at fair value

##### Fair value hierarchy as at 30 June 2017

	30 June 2017			
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Financial assets</b>				
Available-for-sale financial assets				
Equity securities listed in Taiwan	10,539	–	–	10,539
<b>Financial liabilities</b>				
Financial liabilities derivatives	–	–	–	–





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

#### Assets and liabilities measured at fair value *(continued)*

Fair value hierarchy as at 31 December 2016

	31 December 2016			Total
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Audited)
<b>Financial assets</b>				
Available-for-sale financial assets				
Equity securities listed in Taiwan	11,047	–	–	11,047
<b>Financial liabilities</b>				
Financial liabilities derivatives	–	–	419	419

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 2017.

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 2017 and 31 December 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

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

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

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

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





## LIQUIDITY AND FINANCIAL RESOURCES

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

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

## CAPITAL STRUCTURE

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

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

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

As at 30 June 2017, the Company had principal amount of HK\$305,545,700 convertible bond A (the "**CB A**") outstanding which could be converted into 381,932,124 Shares at the conversion price of HK\$0.80 per share. During the six months ended 30 June 2017, no new Shares were issued from the conversion of CB A.

As at 30 June 2017, the Company had principal amount of HK\$639,612,430 convertible bond B (the "**CB B**") outstanding which could be converted into 799,515,538 Shares at the conversion price of HK\$0.80 per share. During the six months ended 30 June 2017, no new Shares were issued from the conversion of CB B.

## CAPITAL COMMITMENT

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

## CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

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

## FOREIGN CURRENCY EXPOSURE

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

## MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

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

## FUND RAISING ACTIVITIES

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

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

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





## **FUND RAISING ACTIVITIES** *(continued)*

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

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

## **STAFF AND REMUNERATION**

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

## **LITIGATION**

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

## OUTLOOK AND PROSPECT

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

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

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

During this period, the Company has acquired approximately 9% equity interest in CIAMC, a licensed corporation, as a first step to explore and extend the asset management market. Furthermore, the Group will continue to seek for different potential investment opportunities with appropriate risk and return profile.

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

## EVENTS AFTER THE REPORTING PERIOD

### Change of Registered Office

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

### Resignation of Independent Non-executive Director

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





## 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 2017, 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 Director	Capacity	Number of Shares held	Number of underlying shares held	Percentage of the issued number of shares as at 30 June 2017
Mr. So Yuen Chun	Beneficial interest	4,351,200	–	0.18%

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 2017, 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)	911,251,162 (L)	43.95%
CITIC Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	911,251,162 (L)	43.95%
China CITIC Bank Corporation Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	911,251,162 (L)	43.95%
CITIC International Financial Holdings Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	911,251,162 (L)	43.95%
CITIC International Assets Management Limited ("CIAM") (Note 2)	Beneficial owner	102,552,205 (L)	911,251,162 (L)	43.95%
Liu Quanhui ("Mr. Liu") (Note 3)	Interest of controlled corporation	454,268,172 (L)	113,665,537 (L)	24.62%
Niu Fang ("Ms. Niu") (Note 3)	Interest of controlled corporation	454,268,172 (L)	113,665,537 (L)	24.62%
State Energy HK Limited ("State Energy") (Note 3)	Beneficial owner	454,268,172 (L)	113,665,537 (L)	24.62%
Hong Kong Mengzai Material Co., Limited	Beneficial owner	384,416,000 (L)	–	16.66%

(L) denotes the long position held in the Shares

Notes:

- As at 30 June 2017, the Company's number of issued Share was 2,306,502,816.
- These shares comprise (i) 102,552,205 shares held by CIAM and (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. CIAM is owned as to 40% by CITIC International Financial Holdings Limited, a wholly-owned subsidiary of China CITIC Bank Corporation Limited, which is over 60% owned by CITIC Limited, which is owned as to 58.13% 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.
- These shares comprise (i) 454,268,172 shares held by State Energy and (ii) 113,665,537 conversion shares to be allotted and issued to State Energy. Mr. Liu and Ms. Niu are interested in State Energy. By virtue of the SFO, Mr. Liu and Ms. Niu are deemed to be interested in the shares held by State Energy.





## 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 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 2017 is 146,368,809, representing 6.35% of the issued shares as at the date of this report.

Details of the share options movements during the six months ended 30 June 2017 (the “**Period**”) under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Outstanding as at 01.01.2017	Granted during the Period	Number of share options			Outstanding as at 30.06.2017	Validity period of share options	Exercise price
				Exercised during the Period	Lapsed during the Period	Cancelled during the Period			
Employee	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
<b>Total</b>		8,000,000	-	-	-	-	8,000,000		

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities during the six months ended 30 June 2017.





## CORPORATE GOVERNANCE

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

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

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

## DISCLOSURE OF INFORMATION ON DIRECTORS

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

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

## DIRECTORS’ SECURITIES TRANSACTIONS

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

## AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2017. The Audit Committee has approved the unaudited interim financial statements.

On behalf of the Board

**The Hong Kong Building and Loan Agency Limited**

**Chong Kok Leong**

*Executive Director*

Hong Kong, 18 August 2017