



**THE HONG KONG BUILDING AND LOAN AGENCY LIMITED**

**(香港建屋貸款有限公司)**

*(Incorporated in Hong Kong with limited liability)*

(Stock code: 145)

**FINAL RESULTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2007**

The Board of Directors (the “Directors”) of The Hong Kong Building and Loan Agency Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2007.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31st December, 2007*

	<i>Notes</i>	<b>2007 HK\$'000</b>	2006 HK\$'000 (restated)
Revenue	4	<b><u>11,556</u></b>	<b><u>12,939</u></b>
Interest income		<b>8,672</b>	7,776
Net (loss) gain on trading of held-for-trading investments		<b>(335)</b>	3,942
Fair value changes on held-for-trading investments		<b>3</b>	2,790
Realised gain on available-for-sale investments		<b>2</b>	–
Dividend income		<b>2,884</b>	1,221
Other income		<b>–</b>	182
Operating expenses	6	<b>(11,321)</b>	(3,856)
Net exchange losses		<b>(4)</b>	–
(Loss) profit before taxation	6	<b>(99)</b>	12,055
Taxation	7	<b>(2,612)</b>	(784)
(Loss) profit for the year		<b><u>(2,711)</u></b>	<b><u>11,271</u></b>
Attributable to:			
Equity holders of the Company		<b><u>(2,711)</u></b>	<b><u>11,271</u></b>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
(Loss) earnings per share	8		
Basic		<b><u>(1.2)</u></b>	<b><u>5.0</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

## CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		143	17
Mortgage loans	9	4,142	4,839
Available-for-sale investments	11	42,480	–
Deferred tax assets		–	2,612
		<u>46,765</u>	<u>7,468</u>
<b>CURRENT ASSETS</b>			
Mortgage loans	9	3,186	3,906
Held-for-trading investments	10	8,024	26,060
Prepayments and other receivables		3,860	3,251
Cash and bank balances		169,198	192,073
		<u>184,268</u>	<u>225,290</u>
<b>CURRENT LIABILITIES</b>			
Other creditors and accruals		<u>1,773</u>	<u>877</u>
<b>NET CURRENT ASSETS</b>			
		<u>182,495</u>	<u>224,413</u>
		<u><b>229,260</b></u>	<u><b>231,881</b></u>
<b>CAPITAL AND RESERVE</b>			
Share capital		225,000	225,000
Reserves		4,260	6,881
		<u>229,260</u>	<u>231,881</u>

## **Notes:**

### **1. Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Companies Ordinance.

### **2. Application of new and revised Hong Kong Financial Reporting Standards**

In the current year, the Group and the Company have applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial year beginning on 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group and the Company have not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC)-Int 12	Service concession Arrangements <sup>3</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group and the Company.

### 3. Change in presentation of financial statements

In previous years, sale proceeds of held-for-trading investments were included in the consolidated income statement as part of the revenue.

In preparation for the annual financial statements for the year ended 31st December, 2007, the presentation of revenue for sales of held-for-trading investments have been changed to reflect such transactions in a more appropriate manner whereby the net gains on sales of held-for-trading investments are presented in the consolidated income statement as part of the revenue. There is no impact on the loss for the year as a result of this presentational change.

The effects of the change in presentation have been accounted for retrospectively with corresponding figures changed. The specific line items affected are as follows:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Decrease in revenue	<u><b>39,576</b></u>	<u>48,577</u>

### 4. Revenue

Revenue represents interest income on mortgage loans and net gain on treasury investments which includes interest income on bank deposits, dividend income and the net profit from trading in held-for-trading investments.

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i> (restated)
Mortgage finance:		
Interest on mortgage loans	<b>1,199</b>	1,381
Treasury investments:		
Interest on bank deposits	<b>7,388</b>	6,395
Net gain on trading of held-for-trading investments	–	3,942
Interest on available-for-sale investments	<b>85</b>	–
Dividend income	<u><b>2,884</b></u>	<u>1,221</u>
	<u><b>11,556</b></u>	<u>12,939</u>

## 5. Business and geographical segments

### Business segments

For management purposes, the Group is currently organised into two operating divisions – mortgage finance and treasury investments. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

- (a) the mortgage finance segment engages in the provision of mortgage finance and other related services; and
- (b) the treasury investments segment includes interest income on bank deposits, securities trading and dividend income.

Segment information about these businesses is presented below:

	<b>2007</b>		
	<b>Mortgage finance HK\$'000</b>	<b>Treasury investments HK\$'000</b>	<b>Total HK\$'000</b>
Revenue	<u>1,199</u>	<u>10,357</u>	<u>11,556</u>
Segment result	<u>1,171</u>	<u>10,027</u>	11,198
Unallocated expenses			<u>(11,297)</u>
Loss before taxation			(99)
Taxation			<u>(2,612)</u>
Loss for the year			<u>(2,711)</u>
Segment assets	<u>9,297</u>	<u>221,200</u>	230,497
Unallocated assets			<u>536</u>
Total assets			<u>231,033</u>
Segment liabilities	<u>4</u>	<u>–</u>	4
Unallocated liabilities			<u>1,769</u>
Total liabilities			<u>1,773</u>
Other information:			
Impairment allowances on mortgage loans	(28)	–	(28)
Unallocated:			
Capital additions			(150)
Depreciation			(24)
	<u>          </u>	<u>          </u>	<u>          </u>

	2006		
	Mortgage finance <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i> (restated)
Revenue	<u>1,381</u>	<u>11,558</u>	<u>12,939</u>
Segment result	<u>1,400</u>	<u>14,348</u>	15,748
Unallocated expenses			<u>(3,693)</u>
Profit before taxation			12,055
Taxation			<u>(784)</u>
Profit for the year			<u>11,271</u>
Segment assets	<u>8,845</u>	<u>221,117</u>	229,962
Unallocated assets			<u>2,796</u>
Total assets			<u>232,758</u>
Segment liabilities	<u>320</u>	<u>–</u>	320
Unallocated liabilities			<u>557</u>
Total liabilities			<u>877</u>
Other information:			
Impairment allowances on mortgage loans	(163)	–	(163)
Unallocated:			
Capital additions			(12)
Depreciation			<u>(5)</u>

### Geographical segments

No geographical segment analysis on revenue is presented as all of the Group's business activities during the year under review were conducted in Hong Kong. All the Group's assets are located in Hong Kong.

**6. (Loss) profit before taxation**

(Loss) profit before taxation has been arrived at after charging:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Employee benefits expense (including Directors' emoluments):		
Wages, salaries and bonus	<b>4,178</b>	1,239
Retirement benefit costs	<b>30</b>	34
	<u><b>4,208</b></u>	<u>1,273</u>
Depreciation	<b>24</b>	5
Auditor's remuneration	<b>460</b>	482
Operating leases payments	<b>85</b>	85
Impairment allowances on mortgage loans	<b>28</b>	163
Legal and professional fees	<b>4,870</b>	387
	<u><b>4,870</b></u>	<u>387</u>

**7. Taxation**

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong		
Current tax	–	–
Deferred tax:		
Current year	<b>2,612</b>	784
	<u><b>2,612</b></u>	<u>784</u>

No current tax is payable as the Group has no assessable profit for the year. The tax charge for the year represents the reduction of deferred tax assets recognised in prior years.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

**8. (Loss) earnings per share**

Basic (loss) earnings per share is calculated based on the (loss) profit for the year attributable to equity holders of the Company of HK\$2,711,000 (2006: profit of HK\$11,271,000) and on 225,000,000 (2006: 225,000,000) ordinary shares in issue during the year.

No diluted (loss) earnings per share is presented as there were no potential ordinary shares during the years.

## 9. Mortgage loans

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Fixed-rate loan receivables	<b>4,854</b>	1,705
Variable-rate loan receivables	<b>2,474</b>	7,040
	<u><b>7,328</b></u>	<u>8,745</u>
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the balance sheet date)	<b>3,186</b>	3,906
Non-current assets (receivables after 12 months from the balance sheet date)	<b>4,142</b>	4,839
	<u><b>7,328</b></u>	<u>8,745</u>

Fixed-rate loan receivables and variable-rate loan receivables are secured by mortgage properties, bearing interest at market interest rates.

Balance of mortgage loans at 31st December, 2007 is net of accumulated impairment allowances of HK\$196,000 (2006: HK\$168,000).

The maturity profile of mortgage loans, net of impairment allowances, at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Repayable:		
Within three months	<b>2,631</b>	3,528
Between three months and one year	<b>555</b>	378
Between one and five years	<b>3,201</b>	1,410
After five years	<b>941</b>	3,429
	<u><b>7,328</b></u>	<u>8,745</u>

Before accepting any new customer, the Group uses internal assessment system to assess the potential customer's credit quality and defines credit limits by customer. The mortgage loans that are neither past due nor impaired have the timely repayment of the principal.

The ageing of mortgage loans, net of impairment allowances, which are past due but not impaired, at the balance sheet date is analysed as follows:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within three months	<u><b>2,462</b></u>	<u>3,405</u>

The fair value of the mortgage loans, determined based on the present value of the estimated future cash flows discounted using the effective interest rate at 31st December, 2007 approximates to the carrying amount of the mortgage loans.



**10. Held-for-trading investments**

Held-for-trading investments include:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Equity securities listed in Hong Kong	<b><u>8,024</u></b>	<u>26,060</u>

The fair value of the above held-for-trading investments is determined based on the quoted market bid prices available on the relevant exchange.

**11. Available-for-sale investments**

Available-for-sale investments include:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Mortgage-backed securities quoted in the United States of America	<b><u>42,480</u></b>	<u>–</u>

As of 31st December, 2007, the fair value of the available-for-sale investments denominated in US dollar amounted to US\$5,448,000 (2006: US\$Nil). The fair value of the above available-for-sale investments is the quoted market bid prices which is readily and regularly available from brokers and price servicing agency. The contractual interest rate of the available-for-sale investments was 5.5% per annum and with maturity date of February 2035.

## **DIVIDEND**

The Directors do not recommend the payment of a final dividend.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group's treasury investments recorded a decrease in profit. The activity level in the Group's mortgage finance business segment remained at a modest level. For the year ended 31st December, 2007, the Group recorded a loss attributable to equity holders of the Company of HK\$2.7 million (2006: profit of HK\$11.3 million) with revenue of HK\$11.6 million (2006 (restated): HK\$12.9 million). Legal and professional fees related to the change in management and abandoned geographical expansion of the business accounted for approximately HK\$2.7 million of the loss for the year.

### **Results for the year**

The principal businesses of the Group remained mortgage finance and treasury investments.

The competition in mortgage finance market remained keen and interest margin continued to remain low. The revenue contributed by mortgage finance decreased to HK\$1.2 million (2006: HK\$1.4 million) and the profit contributed by mortgage finance decreased to HK\$1.2 million (2006: HK\$1.4 million).

The revenue contributed by the treasury investments dropped to HK\$10.4 million (2006 (restated): HK\$11.6 million) as a result of decrease in securities trading activities. The profit contributed by treasury investments decreased to HK\$10.0 million (2006: HK\$14.3 million).

### **Financial position**

At 31st December, 2007, total assets decreased slightly to HK\$231.0 million (2006: HK\$232.8 million). All assets were denominated in Hong Kong dollars except for the available-for-sale investments which were denominated in United States dollars; henceforth there was an exposure to foreign exchange currency rate risk albeit a modest one.

The Group maintained a very strong liquidity position throughout the year. At the balance sheet date, the Group had listed investments amounting to HK\$8.0 million (2006: HK\$26.1 million) and bank balances amounting to HK\$169.2 million (2006: HK\$192.1 million).

Currently, the Group is debt-free. There were no charges on the Group's assets and the Group had no material capital commitment or contingent liabilities outstanding at the end of the year (2006: Nil).

The net asset value of the Group at 31st December, 2007 decreased by 1.1% to HK\$229.3 million (2006: HK\$231.9 million) with the net asset value per share standing at HK\$1.02 (2006: HK\$1.03).

### **Staff and remuneration**

The Group had 9 (2006: 10) employees at 31st December, 2007 and total staff costs incurred during the year amounted to HK\$4.2 million (2006: HK\$1.3 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option scheme for employees.

### **Outlook**

The Group continues its traditional principal activities after the takeover by the new management. However, management is conducting a review of the business operations and financial position of the Group, with a view to formulating a business plan and strategy suitable for the Group. At the same time, management is evaluating all and any other options, including but not limited to expanding the current financial services business of the Group, commencing real estate development business or expanding into other businesses on an opportunistic basis.

## **BUSINESS REVIEW AND PROSPECTS**

### **Business review**

For the year under review, the Group's revenue was HK\$11.6 million and the loss attributable to equity holders of the Company was HK\$2.7 million. The Group was debt-free and maintained a strong liquidity position.

### **Prospects**

The uncertainties relating to the future course of interest rate and the implementation of austerity measures in Mainland China in response to its changing economic situation continue to bear significant impact on the outlook for the Hong Kong economy. In addition, the recent turmoil in the US sub-prime mortgage market continues to have an impact on the Hong Kong economy and more generally on the global equity and credit markets. Consequently, management continues to exercise caution in the extension of credit and is comfortable with the level of the Group's activities. While we always stay alert to the challenges as well as opportunities brought about by these uncertainties, we remain cautiously optimistic the Group should be able to progress well in the year 2008.

## **PURCHASE, SALE AND REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2007.

The annual review of internal controls in respect of the code provision C.2.1 of the CG Code will be reported upon in the corporate governance report contained in the Company's annual report for the financial year ended 31st December, 2007.

## **AUDIT COMMITTEE**

The audit committee which comprises the three independent non-executive Directors of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2007.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2007 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte on the preliminary announcement.

By Order of the Board  
**The Hong Kong Building and Loan Agency Limited**  
**John Zwaanstra**  
*Chairman*

Hong Kong, 19th March, 2008

*At the date of this announcement, the Directors of the Company comprise Messrs. John Zwaanstra (Chairman), John Pridjian (Chief Executive), Todd David Zwaanstra and Jonathon Jarrod Lawless being the Executive Directors and Messrs. Alan Howard Smith, J.P., Stephen King Chang-Min and Patrick Smulders being the Independent Non-Executive Directors.*