



**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)**

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

The board of directors (the “Board”) of The Hong Kong Building and Loan Agency Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 with comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Six months ended 30th June,</b>	
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	5	<b>44,433</b>	36,344
Interest income		<b>4,002</b>	4,020
Net (loss) gain on sales of held-for-trading investments		<b>(335)</b>	2,245
Fair value loss on held-for-trading investments		<b>(201)</b>	(631)
Other investment income		<b>855</b>	853
Other income		<b>–</b>	128
Operating expenses		<b>(6,158)</b>	(2,509)
(Loss) profit before taxation	6	<b>(1,837)</b>	4,106
Taxation	7	<b>(2,612)</b>	(31)
(Loss) profit for the period		<b>(4,449)</b>	4,075
Attributable to:			
Equity holders of the Company		<b>(4,449)</b>	4,075
		<b>HK cents</b>	<b>HK cents</b>
(Loss) earnings per share			
Basic	8	<b>(2.0)</b>	1.8
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	At 30th June, 2007 (Unaudited) HK\$'000	At 31st December, 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		14	17
Mortgage loans	9	2,222	4,839
Deferred tax assets	12	–	2,612
		<u>2,236</u>	<u>7,468</u>
<b>CURRENT ASSETS</b>			
Mortgage loans	9	5,887	3,906
Held-for-trading investments	10	6,044	26,060
Prepayments, deposits and other receivables		423	3,251
Cash and bank balances		213,529	192,073
		<u>225,883</u>	<u>225,290</u>
<b>CURRENT LIABILITIES</b>			
Other creditors and accruals		687	877
		<u>225,196</u>	<u>224,413</u>
<b>NET CURRENT ASSETS</b>			
		<u>227,432</u>	<u>231,881</u>
<b>CAPITAL AND RESERVE</b>			
Share capital	11	225,000	225,000
Reserve		2,432	6,881
		<u>227,432</u>	<u>231,881</u>

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

#### 1. BASIS OF PREPARATION

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

#### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial information is consistent with those followed in the preparation of the Group's annual financial information for the year ended 31st December, 2006.

#### 3. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group has not early applied the following new standards or interpretations that have been issued but not yet effective.

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>

<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

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

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

The Group's primary format for reporting segment information is business segment.

The analysis of the Group's business segmental information is as follows:

	Six months ended 30th June, 2007		
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Revenue	<u>480</u>	<u>43,953</u>	<u>44,433</u>
Interest income	480	3,522	4,002
Net loss on sales of held-for-trading investments	<u>–</u>	<u>(335)</u>	<u>(335)</u>
Segment result	<u>488</u>	<u>3,841</u>	4,329
Unallocated expenses			<u>(6,166)</u>
Loss before taxation			<u>(1,837)</u>
Taxation			<u>(2,612)</u>
Loss for the period			<u>(4,449)</u>

	Six months ended 30th June, 2006		
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Revenue	<u>829</u>	<u>35,515</u>	<u>36,344</u>
Interest income	829	3,191	4,020
Net gain on sales of held-for-trading investments	<u>–</u>	<u>2,245</u>	<u>2,245</u>
Segment result	<u>791</u>	<u>5,658</u>	6,449
Unallocated expenses			<u>(2,343)</u>
Profit before taxation			4,106
Taxation			<u>(31)</u>
Profit for the period			<u>4,075</u>

During the current and prior periods, there were no inter-segment transactions.

#### Geographical segments

No geographical segment analysis is presented as all of the Group's business activities during the period under review were conducted in Hong Kong.

## 5. REVENUE

Revenue represents interest income on mortgage loans and gross income on treasury investments which includes interest income on bank deposits, sales proceeds from securities trading and dividend income.

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

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Mortgage finance:		
Interest on mortgage loans	480	829
Treasury investments:		
Interest on bank deposits	3,522	3,191
Sales proceeds of held-for-trading investments	39,576	31,471
Other investment income	855	853
	<u>44,433</u>	<u>36,344</u>

## 6. (LOSS) PROFIT BEFORE TAXATION

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

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Employee benefit expenses		
Wages and salaries	1,960	644
Retirement benefit costs	18	17
	<u>1,978</u>	<u>661</u>
Auditor's remuneration	270	121
Depreciation	3	3
Operating leases payments	42	42
(Written back) impairment allowances on mortgage loans	(8)	166
Legal and professional fee	3,158	129
	<u>3,158</u>	<u>129</u>

## 7. TAXATION

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong		
Current tax	-	-
Deferred tax: (note 12)		
Current period	2,612	31
	<u>2,612</u>	<u>31</u>

No current tax is payable as the Group has no assessable profit for the period. For the six months ended 30th June, 2007, tax charge represents the reduction of deferred tax assets recognised in prior years.

## 8. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated based on the loss for the period attributable to equity holders of the Company of HK\$4,449,000 (2006: profit of HK\$4,075,000) and on 225,000,000 (2006: 225,000,000) ordinary shares in issue during the period.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during these two periods.

## 9. MORTGAGE LOANS

	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000
Fixed-rate loans receivables	1,587	1,705
Variable-rate loans receivables	6,522	7,040
	<u>8,109</u>	<u>8,745</u>
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the balance sheet date)	5,887	3,906
Non-current assets (receivables after 12 months from the balance sheet date)	2,222	4,839
	<u>8,109</u>	<u>8,745</u>

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

Balance of mortgage loans at 30th June, 2007 is net of accumulated impairment allowances of HK\$160,000 (at 31st December, 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:

	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000
Repayable:		
Within 3 months	5,540	3,528
Between 3 months and 1 year	347	378
Between 1 and 5 years	1,465	1,410
After 5 years	757	3,429
	<u>8,109</u>	<u>8,745</u>

The fair value of the Group's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the effective interest rate at 30th June, 2007 approximates to the carrying amount of the mortgage loans.

## 10. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000
Equity securities listed in Hong Kong	<u>6,044</u>	<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. SHARE CAPITAL OF THE COMPANY

	At 30th June, 2007 & 31st December, 2006 HK\$'000
<i>Authorised:</i>	
300,000,000 ordinary shares of HK\$1.00 each	<u>300,000</u>
<i>Issued and fully paid:</i>	
225,000,000 ordinary shares of HK\$1.00 each	<u>225,000</u>

## 12. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior period:

	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000
At 1st January, 2007/1st January, 2006	2,612	3,396
Deferred tax charged for the period/year (note 7)	<u>(2,612)</u>	<u>(784)</u>
At 30th June, 2007/31st December, 2006	<u><u>–</u></u>	<u><u>2,612</u></u>

Deferred tax asset has arisen from impairment allowance on loans receivables and unused tax losses available for offsetting against future taxable profit.

During the period ended 30th June, 2007, deferred tax assets of HK\$2,612,000 brought forward from last year had been reduced to nil as the management of the Company is uncertain as to the timing on the utilisation of the tax losses.

## 13. OPERATING LEASES ARRANGEMENT

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30th June, 2007 HK\$'000	At 31st December, 2006 HK\$'000
Within one year	<u><u>36</u></u>	<u><u>72</u></u>

## 14. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

### A). Expense items:

	Six months ended 30th June, 2007 HK\$'000	2006 HK\$'000
Rental paid to a former intermediate holding company	36	36
Commissions paid to former fellow subsidiaries	<u>162</u>	<u>122</u>

### B). Compensation of key management personnel

The key management of the Group comprises all the directors of the Company, details of their remuneration during the period are as follows:

	Six months ended 30th June, 2007 HK\$'000	2006 HK\$'000
Short term benefits	<u>145</u>	<u>105</u>

The remuneration of the directors of the Company is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## **INTERIM DIVIDEND**

The Board do not recommend the payment of an interim dividend for the six months ended 30th June, 2007 (2006: Nil).

## **DISCUSSION AND ANALYSIS OF INTERIM RESULTS**

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 period ended 30th June, 2007, the Group recorded a loss attributable to equity holders of the Company of HK\$4.5 million (2006: profit of HK\$4.1 million) with revenue of HK\$44.4 million (2006: HK\$36.3 million). Legal and professional fees related to the change in management and abandoned geographic expansion of the business accounted for approximately, HK\$2.5 million of the loss for the period.

### **Results for the period**

Principal businesses of the Group remained as mortgage finance and treasury investments.

The competition in mortgage finance market remained keen and interest margin continued to stay low as the property transaction volume was affected by the successive increases in interest rates in the market. The revenue contributed by mortgage finance decreased to HK\$0.5 million (2006: HK\$0.8 million) and profit contributed by mortgage finance also decreased to HK\$0.5 million (2006: HK\$0.8 million).

The revenue contributed by the treasury investments increased to HK\$44.0 million (2006: HK\$35.5 million) as a result of an increase in securities trading activities. However, profit contributed by treasury investments decreased to HK\$3.8 million (2006: HK\$5.7 million).

### **Total assets**

At 30th June, 2007, total assets decreased to HK\$228.1 million (at 31st December, 2006: HK\$232.8 million). All assets are denominated in Hong Kong dollars and henceforth there was no exposure to exchange rate risk.

The Group maintained a very strong liquidity position throughout the period. At the balance sheet date, the Group had listed investments amounting to HK\$6.0 million (at 31st December, 2006: HK\$26.1 million) and cash and bank balances amounting to HK\$213.5 million (at 31st December, 2006: HK\$192.1 million).

### **Capital structure**

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 period (at 31st December, 2006: Nil).

The net asset value of the Group at 30th June, 2007 decreased by 1.9% to HK\$227.4 million (at 31st December, 2006: HK\$231.9 million) with the net asset value per share at HK\$1.01 (at 31st December, 2006: HK\$1.03).

### **Staff and remuneration**

The Group had 9 (2006: 10) employees at 30th June, 2007 and total staff costs incurred during the period amounted to HK\$2.0 million (2006: HK\$0.7 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option scheme for employees.

## **BUSINESS OUTLOOK**

The Group will continue its existing principal activities after the takeover by the new management. The management will conduct 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 will evaluate any and all 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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2007.

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

The Company has applied the principles of and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2007.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE REVIEW**

The Group's interim results for the six months ended 30th June, 2007 have been reviewed by the audit committee.

Further, the interim results for the six months ended 30th June, 2007 are unaudited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

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

Hong Kong, 20th September, 2007