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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 31 DECEMBER 2009

The Board of Directors (the "Directors") of The Hong Kong Building and Loan Agency Limited (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, together with the relevant comparative figures for the previous year as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** ***HK$'000***	2008 *HK$'000*
Revenue	*3*	**3,845**	7,553
Interest income		**3,815**	7,129
Fair value changes on financial assets at fair value through profit or loss			
– designated at fair value through profit or loss		**12,614**	–
– held for trading		**(2,682)**	(2,106)
Realised gain on available-for-sale investments		**1,574**	22
Dividend income		**30**	424
Other income		**98**	73
Operating expenses		**(11,920)**	(6,589)
Net exchange loss		**(106)**	(333)
Profit (Loss) before taxation	*5*	**3,423**	(1,380)
Taxation	*6*	**(39)**	(85)

	Notes	2009 HK$'000	2008 HK$'000
Profit (Loss) for the year		**3,384**	(1,465)
Other comprehensive income (expense)			
Fair value change on available-for-sale investments		**699**	807
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		**(1,574)**	(22)
Other comprehensive (expense) income for the year		**(875)**	785
Total comprehensive income (expense) for the year		**2,509**	(680)
Profit (loss) for the year attributable to the owners of the Company		**3,384**	(1,465)
Total comprehensive income (expense) attributable to the owners of the Company		**2,509**	(680)
		HK cents	*HK cents*
Earnings/(Loss) per share			
Basic	*7*	**0.15**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Equipment		**184**	114
Mortgage loans	*8*	**68,268**	7,863
Available-for-sale investments		**–**	39,179
		68,452	47,156
CURRENT ASSETS			
Mortgage loans	*8*	**1,562**	2,145
Financial assets at fair value through profit or loss	*9*	**109,941**	40,256
Loan receivable		**10,000**	–
Prepayments and other receivables		**19,350**	18,300
Tax recoverable		**127**	–
Bank balances		**23,004**	122,507
		163,984	183,208
CURRENT LIABILITIES			
Other payables and accruals		**1,347**	1,699
Tax payable		**–**	85
		1,347	1,784
NET CURRENT ASSETS		**162,637**	181,424
		231,089	228,580
CAPITAL AND RESERVES			
Share capital		**225,000**	225,000
Reserves		**6,089**	3,580
		231,089	228,580

Notes:

1. General

The Company is a limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Rm. 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong. The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company. The principal activities of the Company and its subsidiaries are investment holding, treasury investments and the provision of loan financing and other related services.

In the opinion of the Directors, the immediate holding company of the Company is Island New Finance Limited and the ultimate holding company of the Company is Hyde Park Group Limited, both of them are companies incorporated in the British Virgin Islands with limited liability.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendment)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendment)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) Presentation of Financial Statements

The Group adopted HKAS 1 (revised 2007) which introduced a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements.

HKFRS 8 Operating Segments

The Group adopted HKFRS 8 which is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 *(see note 4)*.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The Group adopted the amendments to HKFRS 7 which expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]

HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instrument[5]

[1] *Effective for annual periods beginning on or after 1 July 2009.*

[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*

[3] *Effective for annual periods beginning on or after 1 January 2010.*

[4] *Effective for annual periods beginning on or after 1 February 2010.*

[5] *Effective for annual periods beginning on or after 1 July 2010.*

[6] *Effective for annual periods beginning on or after 1 January 2011.*

[7] *Effective for annual periods beginning on or after 1 January 2013.*

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The adoption of HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. Revenue

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

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

	2009	2008
	HK$'000	*HK$'000*
Loan financing:		
Interest on mortgage loans	**1,579**	1,779
Interest on loan receivable	**115**	–
Treasury investments:		
Interest on bank deposits	**454**	3,111
Interest on available-for-sale investments	**1,422**	2,230
Interest on held-for-trading investments	**43**	9
Interest on financial assets designated at fair value through profit or loss	**202**	–
Dividend income from equity securities listed in Hong Kong	**30**	424
	3,845	7,553

4. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors, in order to allocate resources to segments and to assess their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption HKFRS 8 changed the basis of measurement of segment profit or loss.

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

	2009		
	Loan financing *HK$'000*	**Treasury investments** *HK$'000*	**Total** *HK$'000*
Revenue	**1,694**	**2,151**	**3,845**
Segment profit	**1,665**	**13,263**	**14,928**
Central administration costs			**(11,505)**
Profit before taxation			**3,423**
Taxation			**(39)**
Profit for the year			**(3,384)**
Segment assets	**82,506**	**149,036**	**231,542**
Unallocated assets			**894**
Total assets			**232,436**
Other information:			
Interest income	**1,694**	**2,121**	**3,815**
Write back of impairment allowances on mortgage loans	**52**	**–**	**52**
Net exchange loss	**–**	**(106)**	**(106)**
Fair value changes on financial assets at fair value through profit or loss	**–**	**9,932**	**9,932**

	2008		
	Loan financing	Treasury investments	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,779	5,774	7,553
Segment profit	1,361	3,356	4,717
Central administration costs			(6,097)
Loss before taxation			(1,380)
Taxation			(85)
Loss for the year			(1,465)
Segment assets	12,541	217,268	229,809
Unallocated assets			555
Total assets			230,364
Other information:			
Interest income	1,779	5,350	7,129
Impairment allowances on mortgage loans	(24)	–	(24)
Net exchange loss	–	(333)	(333)
Taxation	85	–	85
Fair value changes on financial assets at fair value through profit or loss	–	(2,106)	(2,106)

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

Segment profit represents the pre-tax profit earned by each segment without allocation of central administration costs such as director's emoluments, staff salaries, operating lease rentals, legal and professional fees. This is the measure reported to board of directors for the purposes of resource allocation and performance assessment.

Segment assets represents the assets allocated to reportable segments other than fixed assets, prepayments, tax recoverable and certain bank balances.

There is no segment liability as at 31 December 2009 and 2008.

The Group's operations are based in Hong Kong and the Group's revenue is derived from customers and counterparties located in Hong Kong.

5. Profit (Loss) before taxation

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

	2009	2008
	HK$'000	*HK$'000*
Employee benefits expense (including Directors' emoluments:		
Wages, salaries and bonus	**4,603**	2,794
Retirement benefit costs	**43**	34
	4,646	2,828
Depreciation	**52**	47
Auditor's remuneration	**380**	460
Operating lease payments	**922**	85
(Write back) charge of impairment allowances on mortgage loans	**(52)**	24
Legal and professional fees	**2,603**	1,365

6. Taxation

	2009	2008
	HK$'000	*HK$'000*
Hong Kong		
– Current tax	**33**	85
– Underprovision in prior years	**6**	–
Charge for the year	**39**	85

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) before taxation	**3,423**	(1,380)
Tax at the domestic income tax rate of 16.5%	**565**	(228)
Tax effect of income not taxable for tax purpose	**(1,331)**	(1,310)
Tax effect of expenses not deductible for tax purpose	**284**	82
Utlisation of tax losses previously not recognised	**(510)**	–
Tax effect of tax loss not recognised	**1,025**	1,541
Underprovision in prior years	**6**	–
Tax charge for the year	**39**	85

7. Earnings (loss) per share – basic

Basic earnings (loss) per share is calculated based on the profit (loss) for the year attributable to owners of the Company of HK$3,384,000 (2008: Loss of HK1,465,000) and on 2,250,000,000 (2008: 2,250,000,000) ordinary shares in issue during the year after adjusting the effect of Share Subdivision as per note 10 to the consolidated financial statement herein.

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

8. Mortgage loans

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**3,326**	7,057
Variable-rate loan receivables	**66,504**	2,951
	69,830	10,008
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the reporting date)	**1,562**	2,145
Non-current assets (receivable after 12 months from the reporting date)	**68,268**	7,863
	69,830	10,008

Included in the variable-rate loan receivables is a mortgage loan to a customer amounting to HK$65,000,000. The loan bears variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited. The loan matures in January 2011.

The credit quality of the loan is satisfactory as the market value of pledged properties at the end of the reporting period (net of mortgage with higher priority than the Group) is higher than the outstanding amount.

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

Balance of mortgage loans at 31 December 2009 is net of accumulated impairment allowances of approximately HK$168,000 (2008: HK$220,000).

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

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	**757**	937
Between 3 months and 1 year	**805**	1,208
Between 1 and 5 years	**67,830**	5,998
After 5 years	**438**	1,865
	69,830	10,008

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 timely repayment of principal and interest.

The ageing of mortgage loans, net of impairment allowances, which are past due but not impaired, at the end of the reporting period is analysed as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**468**	563

The fair value of the Group's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the reporting date, approximates to the carrying amount of mortgage loans.

9. Financial assets at the fair value through profit or loss

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	**64,421**	3,859
Convertible bonds	**19,520**	36,397
	83,941	40,256
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	**26,000**	–
	109,941	40,256

The fair value of the listed equity securities was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

In October 2009, the Company purchased a convertible zero coupon bond issued by a company listed on the Hong Kong Stock Exchange (the "issuer") with a principal amount US$10 million.

The convertible bond is unlisted and was convertible at the option of the bondholder(s), at any time up to and including 4 February 2011, into existing shares of a subsidiary of the issuer.

The directors are of the view that the fair value as at 31 December 2009 approximate to the cost of the convertible bond since it is considered as a recent transaction. The cost also approximates the bid indicative price as at 31 December 2009 provided by a financial institution.

Subsequent to the reporting date, half of the investment in the convertible bond has been disposed of at a consideration of HK$11,661,000.

During the year, the Company purchased a structured secured loan issued by a listed company in Hong Kong from a secondary market prior to its Initial Public Offering in the Stock Exchange of Hong Kong. The structured secured loan entitled the Company to a guaranteed interest return on the principal if the Initial Public Offering was successful and a put option to request the issuer to redeem the loan at a fixed amount, if the Initial Public Offering was not successful. The final maturity date of the loan is 31 October 2010. The structured secured loan is denominated in USD and carries interest rate above the LIBOR rate.

Upon the successful Initial Public Offering of the issuer of the structured secured loan, the Company received the guaranteed interest return and the put option expired. As at 31 December 2009, only the loan principal component remained outstanding. The fair value of the loan which approximate to its principal amount, is based on valuation techniques using inputs derived mainly from observable market data.

Subsequent to the reporting date, the outstanding Structured Secured Loan was fully settled.

As at 31 December 2008, the Company held convertible bonds with zero coupon, or with coupon rates ranging from 1% to 2%. The equity conversion options attached to the convertible bonds were embedded derivatives granting the right to the Company to convert the debt securities into equity shares of the issuer before maturity. The fair value of the convertible bonds was determined based on the market prices obtained from brokers and with reference to those of price servicing agencies. The carrying amount of the convertible bonds at 31 December 2008, amounting to HK$5,371,000, HK$16,144,000 and HK$9,001,000 were denominated in United State Dollars ("USD"), Singapore Dollars ("SGD") and Chinese Renminbi Yuan ("RMB"), respectively. These investments were all disposed of during the year.

10. Events after the reporting period

Subsequent to 31 December 2009, the Group had the following material events:

(a) Pursuant to an extraordinary general meeting of the Company held on 10 February 2010 (the "EGM"), each of the issued and unissued shares of HK$1.00 each in the share capital of the Company was subdivided into 10 shares (the "Share Subdivision") of HK$0.10 each (the "Subdivided Shares").

(b) Upon the Share Subdivision, the authorised share capital of the Company was increased from HK$300,000,000 to HK$500,000,000 by the creation of an additional 2,000,000,000 shares of HK$0.10 each at the same EGM. The new shares shall rank *pari passu* in all respects with the existing issued shares of the Company.

(c) Pursuant to the announcement dated 24 March 2010, the Company intends to raise HK$56.25 million (before expenses and exercise of the option) by way of an open offer of 562,500,000 offer shares at the subscription price of HK$0.1 per share, payable in full upon application, on the basis of one offer share for every four shares, with a further option to subscribe for convertible bonds convertible to the Company's shares at HK$0.1 per share. Assuming full exercise of the option, an additional HK$45 million (before expenses) will be raised.

DIVIDEND

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

DISCUSSION AND ANALYSIS OF ANNUAL RESULTS

The Group's treasury investments recorded an increase in profit. Whilst the activity level in the Group's mortgage finance business segment remained at a modest level. For the year ended 31 December 2009, the Group recorded a profit attributable to equity holders of the Company of HK$3.4 million (2008: Loss of HK$1.5 million) with revenue of HK$3.8 million (2008: HK$7.6 million).

Results for the year

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

The competition in mortgage finance market remained keen and interest margin continued to remain low. The revenue contributed by mortgage financing record a slightly decrease to HK$1.7 million (2008: HK$1.8 million) and the profit contributed by mortgage financing increased to approximately HK$1.7 million (2008: HK$1.4 million).

The revenue contributed by the treasury investments dropped to HK$2.1 million (2008: HK$5.8 million) as a result of decrease in securities trading activities. The profit contributed by treasury investments sharply increased to HK$13.3 million (2008: HK$3.4 million).

Total assets

At 31 December 2009, the total assets increased to approximately HK$232.4 million (2008: HK$230.3 million). All assets were denominated in Hong Kong dollars except for the some financial assets at fair value through profit or loss, available-for-sale investments and some bank balances, which were denominated in United States dollars and some of the convertible bonds investments which were denominated in Singapore dollars, United States dollars and Chinese Renminbi Yuan; henceforth there was an exposure to foreign exchange currency rate risk albeit a modest one.

During the year, the Company disposed those convertible bonds with zero coupon, or with coupon rates ranging from 1% to 2%, in the amount of HK$5,371,000, HK$16,144,000 and HK$9,001,000 denominated in USD, SGD and RMB, respectively. On the contrary, the Company purchased another convertible bond with zero coupon rate of US$2.5 million. In addition, the Company purchased a structured secured loan issued by a listed company in Hong Kong from a secondary market prior to its Initial Public Offering. The structured secured loan entitled the Company to a guaranteed interest return on the principal if the Initial Public Offering was successful and a put option to request the issue to redeem the loan at a fixed amount, if the Initial Public Offering was not successful. The final maturity of the loan is 31 October 2010. The structured secured loan is denominated in USD and carrying a fixed interest rate of 4.875%. Upon the successful Initial Public Offering of the issuer of the loan, the Company received the guaranteed interest return and the put option expired.

The Group maintained a strong liquidity position throughout the year. At the end of financial period, the Group held trading investments amounting to HK$110 million (2008: HK$40.3 million) and bank balances amounting to HK$23 million (2008: HK$122.5 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 year (2008: Nil).

The net asset value of the Group at 31 December 2009 increased by 1.1% to HK$231.1 million (2008: HK$228.6 million), with the net asset value per share standing at HK$1.02 (2008: HK$1.02).

Staff and remuneration

The Group had 12 (2008: 10) employees at 31 December 2009 and total staff costs incurred during the year amounted to HK$4.6 million (2008: HK$2.8 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option granted or exercised during the year under review.

Outlook

The Group continues to maintain its traditional principal activities after the takeover by new management in 2009. However, the management is conducting a review on 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, the 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.

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 year.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

During the year under review, the Company has applied the principles and has complied with most of the code provisions set out in the Code on Corporate Governance Practices (the “CG Code“) contained in Appendix 14 of the Listing Rules except for the insufficient number of independent non-executive directors since October 2009. In this regard, the Company has immediately informed the Stock Exchange and made proper disclosure in its announcements containing details and reasons for the Company’s failure to meet the minimum number requirements under the Listing Rules. On 15 January 2010, the Company appointed two additional independent non-executive directors and nominated them to be the members of Audit Committee. The requirements under Rule 3.10(1) and Rule 3.21 have been fulfilled since then.

Save as disclosed above, throughout the year ended 31 December 2009, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of sufficient number of independent non-executive directors and the requirement for at least one independent non-executive director to have appropriate professional qualifications or accounting or related financial management expertise.

The Board will review the current practices at least annually and make appropriate changes if considered necessary to ensure proper compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct rules (the “Model Code”) regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code throughout the year.

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 31 December 2009.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the preliminary announcement 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
Au Tin Fung
Executive Director

Hong Kong, 26 March 2010

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Lau Yu Fung, Wilson, Mr. Chan Chun Wai and Mr. Au Tin Fung being executive Directors; Mr. Tang Yu Ming, Nelson (Chairman) being non-executive Director; and Mr. Chan Chi Yuen, Mr. So Yuen Chun and Mr. Ng Cheuk Fan, Keith being independent non-executive Directors.