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 2011

The Board (the "**Board**") of Directors (the "**Directors**") of The Hong Kong Building and Loan Agency Limited (the "**Company**") announces the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2011, together with the relevant comparative figures for the previous year as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Notes	**2011** ***HK$'000***	2010 *HK$'000*
Revenue	*3*	**37,995**	18,850
Interest income		**37,995**	18,850
Fair value changes on financial assets at fair value through profit or loss		**(42,562)**	(44,621)
Other income	*4*	**7**	1,644
Operating expenses		**(42,801)**	(11,197)
Impairment loss recognised in respect of available-for-sale investment		**(241)**	–
Interest expense on trading accounts		**–**	(624)
Gain on disposal of a subsidiary		**–**	553
Loss before tax		**(47,602)**	(35,395)
Income tax (expense) credit	*6*	**(1,703)**	1,668

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Loss for the year	*7*	**(49,305)**	(33,727)
Other comprehensive (expense) income			
Fair value changes on available-for-sale investments		**(10,320)**	10,320
Deferred tax relating to fair value change on available-for-sale investments		**1,703**	(1,703)
Other comprehensive (expense) income for the year, net of income tax		**(8,617)**	8,617
Total comprehensive expense for the year		**(57,922)**	(25,110)
Loss for the year attributable to the owners of the Company		**(49,305)**	(33,727)
Total comprehensive expense attributable to the owners of the Company		**(57,922)**	(25,110)
		HK cents	*HK cents*
Loss per share	*9*		
– Basic		**(1.17)**	(1.18)
– Diluted		**(1.17)**	(1.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Equipment		**369**	134
Mortgage loans	10	**11,235**	128,295
Loan receivables	12	**–**	64,000
Deposit paid for acquisition of a subsidiary		**10,000**	–
Available-for-sale investments	13	**6,619**	16,680
		28,223	209,109
CURRENT ASSETS			
Mortgage loans	10	**654**	1,245
Financial assets at fair value through profit or loss	14	**20,626**	28,243
Loan receivables	12	**280,712**	60,000
Prepayments, deposits and other receivables	15	**33,383**	21,476
Tax recoverable		**35**	–
Bank balances	16	**17,994**	77,055
		353,404	188,019
CURRENT LIABILITIES			
Other payables and accruals	17	**9,024**	2,769
Tax liabilities		**–**	2
		9,024	2,771
NET CURRENT ASSETS		**344,380**	185,248
NET ASSETS		**372,603**	394,357
CAPITAL AND RESERVES			
Share capital	18	**435,149**	399,470
Reserves		**(62,546)**	(5,113)
TOTAL EQUITY		**372,603**	394,357

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital *HK$'000*	Share premium *HK$'000*	Convertible bonds *HK$'000*	Convertible bond options *HK$'000*	Warrants *HK$'000*	Investments revaluation reserve *HK$'000*	Retained profits (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 January 2010	225,000	–	–	–	–	–	6,089	231,089
Loss for the year	–	–	–	–	–	–	(33,727)	(33,727)
Fair value changes on available-for-sale investments	–	–	–	–	–	10,320	–	10,320
Deferred tax relating to fair value change on available-for-sale investments	–	–	–	–	–	(1,703)	–	(1,703)
Total comprehensive income for the year	–	–	–	–	–	8,617	(33,727)	(25,110)
Issue of ordinary shares and options for convertible bonds	56,250	–	–	51,763	–	–	(51,763)	56,250
Issue of convertible bonds upon conversion of convertible bond options	–	–	10,277	(5,498)	–	–	–	4,779
Issue of shares upon conversion of convertible bonds	4,720	5,429	(10,149)	–	–	–	–	–
Issue of warrants	–	–	–	–	5,620	–	–	5,620
Issue of ordinary shares by placement	113,500	11,350	–	–	–	–	–	124,850
Transaction cost attributable to issue of shares	–	(3,121)	–	–	–	–	–	(3,121)
At 31 December 2010	399,470	13,658	128	46,265	5,620	8,617	(79,401)	394,357
Loss for the year	–	–	–	–	–	–	(49,305)	(49,305)
Fair value changes on available-for-sale investments	–	–	–	–	–	(10,320)	–	(10,320)
Deferred tax relating to fair value change on available-for-sale investments	–	–	–	–	–	1,703	–	1,703
Total comprehensive expense for the year	–	–	–	–	–	(8,617)	(49,305)	(57,922)
Lapse of convertible bond options	–	–	–	(6,352)	–	–	6,352	–
Issue of convertible bonds upon conversion of convertible bond options	–	–	74,611	(39,913)	–	–	–	34,698
Issue of shares upon conversion of convertible bonds	34,679	39,891	(74,570)	–	–	–	–	–
Issue of shares upon conversion of warrants	1,000	570	–	–	(100)	–	–	1,470
At 31 December 2011	**435,149**	**54,119**	**169**	**–**	**5,520**	**–**	**(122,354)**	**372,603**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

The Hong Kong Building and Loan Agency Limited (the "Company") is a public 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 addresses of the registered office and the principal place of business of the Company are Unit F, 7/F, China Oversea Building, 139 Hennessy Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and its subsidiaries (collectively known as the "Group").

The principal activities of the Group are investment holding, treasury investments and the provision of loan financing and other related services.

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRS issued in 2010
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirements
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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

[3] *Effective for annual periods beginning on or after 1 January 2015.*

[4] *Effective for annual periods beginning on or after 1 January 2012.*

[5] *Effective for annual periods beginning on or after 1 July 2012.*

[6] *Effective for annual periods beginning on or after 1 January 2014.*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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 from treasury investments.

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

	2011	2010
	HK$'000	*HK$'000*
Loan financing:		
Interest on mortgage loans	**1,277**	13,784
Interest on loan receivables	**36,716**	4,968
Treasury investments:		
Interest on bank deposits	**2**	3
Interest on financial assets designated at fair value through profit or loss	**–**	95
	37,995	18,850

4. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Consultancy fee income	**–**	1,500
Management fee income	**–**	125
Other	**7**	19
	7	1,644

During the year ended 31 December 2010, the consultancy fee income represented the income received from Weldtech Technology Co. Limited for consultancy service rendered in relation to the fund-raising purpose.

5. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions by nature of the business, namely, loan financing and treasury investments.

These divisions are the basis on which, the board of directors of the Company, being the chief operating decision maker, reviews the operating results and financial information.

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

	Loan financing		Treasury investments		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**37,993**	18,752	**2**	98	**37,995**	18,850
Segment profit (loss)	**34,326**	18,578	**(42,594)**	(45,213)	**(8,268)**	(26,635)
Centralised administration costs					**(39,334)**	(10,813)
Unallocated other income					**–**	1,500
Gain on disposal of a subsidiary					**–**	553
Loss before tax					**(47,602)**	(35,395)
Income tax (expense) credit					**(1,703)**	1,668
Loss for the year					**(49,305)**	(33,727)
Segment assets	**337,019**	263,341	**29,888**	117,895	**366,907**	381,236
Unallocated assets					**14,720**	15,892
Total assets					**381,627**	397,128
Other information:						
Interest income	**37,993**	18,752	**2**	98	**37,995**	18,850
Write-back of impairment allowances on mortgage loans	**45**	123	**–**	–	**45**	123
Impairment loss recognised in respect of interest receivables	**(2,248)**	–	**–**	–	**(2,248)**	–
Impairment loss recognised in respect of loan receivables	**(1,000)**	–	**–**	–	**(1,000)**	–
Net foreign exchange gain (loss)	**–**	–	**2**	(190)	**2**	(190)
Fair value changes on financial assets at fair value through profit or loss	**–**	–	**(42,562)**	(44,621)	**(42,562)**	(44,621)

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

The accounting policies of the operating segments are the same as the Group's accounting policies.

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

Segment assets represent the assets allocated to reportable and operating segments other than equipment, deposit paid for acquisition of a subsidiary, prepayments, tax recoverable and certain other receivables.

There is no segment liability at 31 December 2011 and 2010.

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

Information about major customers

Interest income from customers in loan financing business segment contributing over 10% of the total revenue of the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**N/A**[1]	11,618
Customer B	**N/A**[1]	4,790
Customer C	**27,962**	N/A[1]
Customer D	**5,063**	N/A[1]

[1] *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

6. INCOME TAX EXPENSE (CREDIT)

	2011	2010
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Provision for the year	**–**	35
Deferred taxation	**1,703**	(1,703)
Income tax expense (credit) for the year	**1,703**	(1,668)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before tax	**(47,602)**	(35,395)
Tax at the Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**(7,854)**	(5,840)
Tax effect of income not taxable for tax purpose	**(9,862)**	(31)
Tax effect of expenses not deductible for tax purpose	**13,418**	432
Utilisation of tax losses previously not recognised	**(4,149)**	(3,014)
Recognition of tax loss previously not recognised	**–**	(1,703)
Tax effect of deductible temporary differences	**1,703**	–
Tax effect of tax losses not recognised	**8,447**	8,490
Others	**–**	(2)
Income tax expense (credit) for the year	**1,703**	(1,668)

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2011	2010
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments):		
Salaries, bonus and other benefits	**2,967**	3,718
Contributions to retirement benefits scheme	**55**	81
	3,022	3,799
Depreciation	**97**	76
Auditor's remuneration	**350**	430
Operating lease payments	**1,416**	758
Write-back of impairment allowances on mortgage loans	**(45)**	(123)
Impairment loss recognised in respect of interest receivables and other receivables	**11,448**	–
Impairment loss recognised in respect of loan receivables	**1,000**	–
Net foreign exchange (gain) loss	**(2)**	190
Legal and professional fees	**16,977**	1,833

8. DIVIDENDS

No dividend was paid or proposed during the year ended 2011 and 2010, nor has any dividend been proposed since the end of the reporting periods.

9. LOSS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share and diluted loss per share		
Loss for the year attributable to owners of the Company	**(49,305)**	(33,727)

	2011	2010
	Number of shares	*Number of shares*
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,209,312**	2,848,023

The computation of diluted loss per share for the year ended 31 December 2011 and 2010 does not assume the exercise or conversion of the Company's outstanding options for convertible bonds, convertible bonds or warrants since their exercise or conversion would result in a decrease in the loss per share.

The weighted average number of ordinary shares for the purpose of basic loss per share for the year of 2010, have been adjusted for the share subdivision on 10 February 2010 and the bonus element in an open offer on 5 May 2010 as disclosed in notes 18(a) and 18(c), respectively.

10. MORTGAGE LOANS

	2011	2010
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**11,390**	1,699
Variable-rate loan receivables	**499**	127,841
	11,889	129,540
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the end of the reporting period)	**654**	1,245
Non-current assets (receivables after 12 months from the end of the reporting period)	**11,235**	128,295
	11,889	129,540

Included in the variable-rate loan receivables as at 31 December 2010 were two mortgage loans to a corporate customer (original borrower) amounting to HK$127,000,000. The loans bore variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited and would mature during January to May 2011. On 13 January 2011, the Group entered into an agreement with the original borrower to extend the repayment of the loan to January 2012 with additional drawdown of HK$73,000,000. On 26 January 2011, since the loan and the related interest receivable of HK$712,000 amounting to a total of HK$200,712,000 was restructured whereby the variable interest rate was increased the named borrower was changed to another company (new borrower) and the security was changed to a floating charge on the entire assets (mainly include a residential property located in Hong Kong which was the security of the original loan) of the guarantor, which is the original borrowers, as collateral, the mortgage loan has been reclassified as loan receivable in note 12 thereafter.

The credit quality of the above loan receivable is satisfactory as the loan is secured by the pledge of properties with a fair value of HK$430,000,000 at 31 December 2010. The directors of the Company are of the view that the properties collateral can fully cover the outstanding loans after taking into account other mortgages of the properties. Accordingly, no impairment allowance is considered necessary.

The mortgage loans of approximately HK$11,889,000 (2010: approximately HK$2,540,000) are secured by mortgage properties. These mortgage loans at 31 December 2011 are net of impairment allowances of nil (2010: approximately HK$45,000).

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

	2011	2010
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	**159**	897
Over 3 months but less than 1 year	**495**	348
Over 1 year but less than 5 years	**11,179**	1,169
Over 5 years	**56**	126
	11,889	2,540

Before accepting any new customer, the Group uses internal assessment system to assess the potential credit quality and determines credit limits by customer. The mortgage loans of approximately HK$11,889,000 (2010: approximately HK$1,705,000) 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:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**–**	835

The directors of the Company are of the view that no individual impairment allowance is necessary since the outstanding loans are fully secured by the respective mortgage properties.

11. IMPAIRMENT ALLOWANCES ON MORTGAGE LOANS

	HK$'000
Collective impairment allowances	
At 1 January 2010	168
Write-back during the year	(123)
At 31 December 2010	45
Write-back during the year	(45)
At 31 December 2011	–

There are no individual impairment allowances made for mortgage loans of the Company as at 31 December 2011 and 2010.

Individual impairment is made when the mortgage loan borrower is unable to repay the principal on time and the present value of the collateral held by the Group and the Company is not sufficient to cover the carrying amount of the loan.

In addition to conducting individual assessment of impairment, the Group and the Company have also carried out collective assessment. Mortgage loan impairment allowances were made on a collective basis with reference to historical loss experience.

12. LOAN RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**81,000**	124,000
Variable-rate loan receivables	**200,712**	–
	281,712	124,000
Less: impairment allowance on fixed-rate loan receivables	**(1,000)**	–
	280,712	124,000
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the end of the reporting period)	**280,712**	60,000
Non-current assets (receivables after 12 months from the end of the reporting period)	**–**	64,000
	280,712	124,000

The loan receivables outstanding at 31 December 2011 and 2010 are denominated in Hong Kong dollars.

At 31 December 2011, a loan receivable amounting to HK$60,000,000 (2010: HK$60,000,000), carries fixed interest at 8% per annum (2010: 8%) and is secured by a convertible bond issued by a listed entity in Hong Kong.

A loan receivable amounting to approximately HK$200,712,000 (2010: Nil) is secured by a floating charge on the entire assets (mainly included a residential property located in Hong Kong) of the guarantor. The loan bore variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited which was reclassified from mortgage loan receivables during the year ended 31 December 2011 as details disclosed in note 10.

In December 2011, the Group called for repayment on the principal amount of loan and respective accrued interest. Therefore, the loan receivable of approximately HK$200,712,000 became due immediately.

At 31 December 2011, according to the valuation report dated 12 March 2012 (the "Valuation Report") issued by an independent professional valuer, Malcolm & Associates Appraisal Limited, the fair value of the residential property located in Hong Kong owned by the guarantor is HK$400,000,000. With regard to the effect of the winding-up petition filed in the High Court of Hong Kong against the guarantor, the fair value of the property would be discounted by a range of 10% of the fair value stated in the Valuation Report. The directors of the Company are of the opinion that the fair value of the property exceeded the carrying values of the principal amount of the loan and the interest receivables. Accordingly, no impairment allowance is considered necessary.

A loan receivable amounting to HK$15,000,000 (2010: Nil) is secured by a corporate guarantee issued by a listed entity in Hong Kong and carries fixed interest rates at 9% per annum. The remaining loan receivables of HK$6,000,000 are unsecured and carry fixed interest rates at a range of 9% to 20% per annum.

At 31 December 2010, a loan receivable amounting to HK$64,000,000 is secured by promissory notes issued by a listed entity in Hong Kong and carried a fixed interest rate of 8% per annum. The loan was fully repaid during the current year.

The maturity profile of these loan receivables at the end of reporting period, analysed by the remaining periods to their contracted maturity, is as follow:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**203,712**	64,000
Over 3 months but less than 1 year	**77,000**	60,000
Over 1 year but less than 5 years	**–**	–
	280,712	124,000

Included in the carrying amount of the fixed-rate loan receivables of HK$3,000,000 as at 31 December 2011 is unsecured loan borrowed by a listed entity in Hong Kong.

Movement in the individual impairment allowance on loan receivables:

	HK$'000
At 1 January 2010 and 31 December 2010	–
Charge during the year	1,000
At 31 December 2011	1,000

The fair value of the Group's loan receivables, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the end of reporting period, approximates the carrying amount of the loan receivables.

13. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	*HK$'000*
Listed investments:		
Equity securities listed in Hong Kong	**6,360**	16,680
Unlisted investments:		
Equity securities in Hong Kong, at cost	**500**	–
Less: impairment recognised during the year	**(241)**	–
Equity securities in Hong Kong, net	**259**	–
Total	**6,619**	16,680

The equity securities listed in Hong Kong represent the fair value of an equity investment in 4.95% of total outstanding issued shares of listed entity at the end of the reporting period. The fair value of the listed equity securities was determined with reference to the quoted market bid price available on the Stock Exchange at 31 December 2011.

The unlisted investments represent investments in unlisted equity securities in 5% 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, if any, at the end of the reporting period because their fair values cannot be measured reliably.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	HK$'000	*HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	**20,626**	28,243

At 31 December 2011, the fair value of the listed equity securities was determined based on the quoted market bid prices available on the Stock Exchange.

At 31 December 2010, fair value of the listed equity securities, amounting to HK$14,760,000, was determined based on the quoted market bid prices available on the Stock Exchange. As the trading of the shares of the other listed equity security, has been suspended from 30 November 2010 to 17 January 2011, the fair value as at 31 December 2010, amounting to HK$13,483,000, was determined with reference to the closing bid price as at 29 November 2010.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Interest receivables	**31,315**	5,718
Prepayments	**1,431**	1,794
Receivables from securities brokers	**2,577**	2,519
Receivable from disposal of a subsidiary	**9,200**	9,700
Others	**308**	1,745
	44,831	21,476
Less: accumulated impairment allowance	**(11,448)**	–
	33,383	21,476

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

	Impairment allowance on interest receivables	**Impairment allowance on other receivables**
	HK$'000	*HK$'000*
Accumulated impairment allowance movement		
At 1 January 2010 and 31 December 2010	–	–
Charge during the year	2,248	9,200
At 31 December 2011	2,248	9,200

At 31 December 2011, the receivable from disposal of a subsidiary amounting to HK$9,200,000 was overdue and an impairment allowance of HK$9,200,000 was provided.

Included in receivables from securities brokers are the following amounts denominated in a currency other than the functional currency of the Group:

	2011	2010
	'000	*'000*
USD	**277**	277

16. BANK BALANCES

The amounts comprise bank balances held by the Group and the Company and short-term bank deposits bearing market interest rates ranging from 0.1% to 0.2% (2010: 0.1% to 0.2%) per annum. The fair value of these assets approximates the corresponding carrying amount.

17. OTHER PAYABLES AND ACCRUALS

	2011	2010
	HK$'000	*HK$'000*
Accrued service fees for acquisition of a subsidiary	**7,478**	–
Accrued expenses	**1,327**	2,410
Other payables	**219**	359
	9,024	2,769

18. SHARE CAPITAL OF THE COMPANY

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of par value HK$0.10 each		
At 1 January 2010	300,000,000	300,000
Share subdivision *(note a)*	2,700,000,000	N/A
Increase in authorised share capital *(note a)*	2,000,000,000	200,000
At 1 January 2011	5,000,000,000	500,000
Increase in authorised share capital *(note b)*	25,000,000,000	2,500,000
At 31 December 2011	**30,000,000,000**	**3,000,000**
Issued and fully paid:		
Ordinary shares of par value HK$0.10 each		
At 1 January 2010	225,000,000	225,000
Share subdivision *(note a)*	2,025,000,000	N/A
Issue of ordinary shares *(note c)*	562,500,000	56,250
Shares placement on 23 December 2010 *(note d)*	1,135,000,000	113,500
Issue of shares upon conversion of convertible bonds	47,200,358	4,720
At 31 December 2010 and 1 January 2011	3,994,700,358	399,470
Issue of shares upon conversion of convertible bonds	346,788,309	34,679
Exercise of warrants *(Note 19)*	10,000,000	1,000
At 31 December 2011	**4,351,488,667**	**435,149**

Notes:

(a) Pursuant to an extraordinary general meeting of the Company held on 10 February 2010, 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"). Following the Share Subdivision, the authorised share capital of the Company was further 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 extraordinary general meeting. The new shares rank pari passu in all respects with the existing issued shares of the Company.

(b) Pursuant to an extraordinary general meeting of the Company held on 24 June 2011, the authorised share capital of the Company was increased from HK$500,000,000 to HK$3,000,000,000 by the creation of an additional 25,000,000,000 shares of HK$0.10 each. The new shares shall rank pari passu in all respects with the existing issued shares of the Company.

(c) On 5 May 2010, the Company allotted and issued 562,500,000 ordinary shares of HK$0.10 each at a subscription price of HK$0.10 per share to the existing qualifying shareholders on the basis of one offer share for every four existing shares (the "Open Offer") and 449,999,997 options to subscribe for convertible bonds in a principal amount of HK$45,000,000 that can be convertible to the Company's shares with a conversion price of HK$0.10 per share. The fair value of options for convertible bonds amounting to approximately HK$51.8 million, which was estimated after taking into account the market prices of the Company's ordinary shares, at issue date of the options, is recognised in equity and the difference between the deemed consideration received (which is nil) and fair value of the options to subscribe for convertible bonds is deducted from retained profits. The net proceeds of approximately HK$54 million from the Open Offer issue, after deducting the issue expense of HK$2.2 million, were used as general working capital of the Group. Details of the Open Offer are set out in the Company's prospectus dated 15 April 2010.

(d) On 28 December 2010, the Company allotted and issued 1,135,000,000 shares through placement at the price of HK$0.11 per share. The total gross proceeds of the placement amounted to approximately HK$124.85 million. The net proceeds from the placing, after the deduction of the placing commission and other related expenses, amounted to approximately HK$121.73 million.

19. WARRANTS

On 10 May 2010, the Company and Fortune (HK) Securities Limited entered into a placing agreement in respect of the placement of 562,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.10 each at a subscription price of HK$0.18. Subsequently, the placing agent and the Company agreed to vary the warrant placement by terminating the warrant placing agreement dated 10 May 2010 and entering into a supplemental warrant placing agreement on 7 June 2010. Pursuant to the supplemental warrant placing agreement dated 7 June 2010, the exercise price was amended from HK$0.18 to HK$0.147 per warrant. The placement was completed on 22 June 2010 with the warrants expiring on 21 June 2012. Details of the above are set out in the Company's announcements dated 11 May 2010, 7 June 2010 and 22 June 2010, respectively.

During the year ended 31 December 2011, 10,000,000 warrants (2010: Nil) were exercised at HK$0.147 and 10,000,000 (2010: Nil) shares were issued. The total proceeds of the conversion of warrants amounted to HK$1,470,000. At 31 December 2011, the Company had 552,000,000 outstanding warrants, the exercise in full of these warrants would result in further issuance of 552,000,000 ordinary shares.

20. EVENTS AFTER THE REPORTING PERIOD

(1) The BLA (Asia) (the "Lender") filed a winding-up petition in the High Court of Hong Kong against Joy Rich Development Limited (the "Guarantor") for default on full repayment of a loan (the "Loan") in the principal amount of approximately HK$200,712,000 together with interest accrued thereon (collectively, the "Petition") on 14 March 2012.

The Lender, Greatstep International Limited (the "Borrower") and the Guarantor entered into a loan agreement with respect to the Loan on 26 January 2011 (collectively, the "Loan Agreement"). The Loan is secured by a floating charge over the entire assets of the Guarantor or the Borrower (the "Floating Charge"). The carrying values of the principal amount of the Loan and the interest receivables was approximately HK$200,712,000 and HK$27,962,000 and are included in the loan receivables (note 12) and other receivables (note 15) as at 31 December 2011, respectively.

Following the failure of the Borrower and/or the Guarantor to repay all or part of the Loan upon demand, the Floating Charge crystallized and converted into a fixed charge over the whole of the Borrower's and/or the Guarantor's property, undertaking, rights, income and assets, including, but not limited to the residential property (the "Charged Property") located in Hong Kong which is owned by the Guarantor and which was registered in the Land Registry on 29 February 2012. Upon the filing of the Petition, this legal proceeding is still ongoing as at the date hereof.

Taking into account of the valuation report issued by Malcolm & Associates Appraisal Limited, an independent professional valuer, which stated that the fair value of the Charged Property exceeded the carrying values of the principal amount of the Loan and the interest receivables as at 31 December 2011, the directors of the Company are of the opinion that no impairment allowance is necessary.

(2) On 22 December 2011, Wise Planner Limited ("Wise Planner"), a wholly-owned subsidiary of the Company, (i) Carbon Reserve Investments Limited; (ii) Newmargin Partners Ltd; (iii) Season Best Investments Limited; (iv) Cross Cone Holdings Limited; (v) Smart Promise Limited; and (iv) SV Technology Company Limited, the SV Technology Company Limited's guarantors and the Company (collectively referred to as the "VSA Parties") have entered into a fifth supplementary agreement to extend the long stop date of the conditional sale and purchase agreement dated 25 February 2011 (the "Sale and Purchase Agreement") to 31 January 2012 and amend certain terms and conditions of the Sale and Purchase Agreement. On 29 February 2012, the VSA Parties reached an understanding not to further extend the long stop date, and instead discussed about the way to proceed with the acquisition of 100% equity interest in Weldtech Technology Co. Limited (the "Acquisition"), including doing so in or under an optimal and / or revised structure (the "Revised Structure").

While no final decision has been made at the time of the consolidated financial statements was authorised for issue, the directors of the Company are optimistic about the outcome of such discussions and shall give their best efforts to cooperate with the VSA Parties to proceed with the Acquisition or the Revised Structure as soon as possible.

For further details, please refer to the Company's announcements dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012 and 22 March 2012, respectively, and the Company's circular dated 31 May 2011.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in investment holding, treasury investments and the provision of loan financing.

During the year under review, the Group recorded a revenue of approximately HK$38 million, representing an increase of approximately 102.1% as compared with HK$18.9 million for the last year. A loss for the year attributable to the owners of the Company of approximately HK$49.3 million (2010: approximately HK$33.7 million) was recorded.

Of the total revenue, approximately HK$38 million (2010: approximately HK$18.9 million) was generated from the Group's loan financing business which contributed a segment profit of approximately HK$34.3 million (2010: approximately HK$18.6 million). Such increase in profit was mainly attributable to the increase in interest income on loan receivables.

With respect to the treasury investments, a segment loss of approximately HK$42.6 million was recorded for the year under review, as compared with approximately HK$45.2 million for the last year.

Total assets

At 31 December 2011, the total assets decreased to approximately HK$381.6 million (2010: approximately HK$397.1 million). All assets were denominated in Hong Kong dollars except for some bank balances which were denominated in United States dollars; as such, the Group's exposure to foreign exchange currency rate risk was insignificant. Therefore, no instruments have been applied for foreign currency hedging purposes.

As at 31 December 2011, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$6.6 million (2010: approximately HK$16.7 million) and HK$20.6 million (2010: approximately HK$28.2 million), respectively. The available-for-sale investments represent the fair value of equity investment in a listed entity of Hong Kong at as 31 December 2011. The financial assets at fair value through profit or loss represent held-for-trading investments in five equity securities listed in Hong Kong.

As at 31 December 2011, the Group held mortgage loans and loan receivables amounting to approximately HK$11.9 million (2010: approximately HK$129.5 million) and approximately HK$280.70 million (2010: approximately HK$124 million), respectively.

Liquidity and Financial Resources

The Group maintained a liquid position throughout the year. As at 31 December 2011, the Group held bank balances amounting to approximately HK$18 million (2010: approximately HK$77.1 million). The Group had no bank borrowing as at 31 December 2011 (2010: Nil).

Gearing ratio of the Group as at 31 December 2011, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was zero (2010: zero).

Capital structure

As at 31 December 2011, the Company's issued ordinary share capital was HK$435,148,866.70 divided into 4,351,488,667 shares of HK$0.10 each ("**Share(s)**") (31 December 2010: HK$399,470,035.8 divided into 3,994,700,358 Shares).

Pursuant to the open offer of the Company in 2010, the Company has issued a total of 449,999,997 options to the subscribers of the offer shares ("**Option(s)**"). The Option holders are entitled to subscribe in cash for the zero-coupon convertible bonds of the Company due 31 December 2012, during the period from 5 May 2010 to 4 May 2011 (the "**Exercise Period**") (collectively, the "**Convertible Bonds**").

During the current year, Convertible Bonds in the aggregate principal amount of HK$34,698,225 were issued upon the exercises of subscription right attached to 346,982,249 Options, which raised net proceeds of approximately HK$34,678,831; and 346,788,309 new Shares were issued upon the exercises of subscription right attached to Convertible Bonds in the aggregate principal amount of HK$34,678,831. 55,224,130 Options that remained unexercised lapsed upon the expiry of the Exercise Period. As at 31 December 2011, the Company had Convertible Bonds in the principal amount of HK$78,720.00 outstanding, of which the conversion in full at the initial conversion price of HK$0.10 per conversion share (subject to adjustment) would result in a further issuance of a maximum of 787,200 new Shares.

As at 31 December 2011, the Company had 552,000,000 non-listed warrants ("**Warrants**") outstanding. During the year under review, 10,000,000 new Shares were issued at the initial exercise price of HK$0.147 upon the exercise of subscription right attached to 10,000,000 Warrants and net proceeds of approximately HK$1.47 million were raised.

Charge on group assets and contingent liabilities

The Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2011.

Capital commitment

The Group did not have any capital commitment as at 31 December 2011.

Material Acquisition

The sale and purchase agreement dated 23 February 2011 (as amended) (the "**Sale and Purchase Agreement**") was entered into by and between Wise Planner Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), Carbon Reserve Investments Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Season Best Investments Limited, Smart Promise Limited, SV Technology Company Limited (as the vendors, collectively, the "**Vendors**"), Mr. Wong Ho Yuen, Mr. Wu Gang (the "**SV Technology Guarantors**") and the Company (as the Purchaser's guarantor) with respect to the acquisition of the entire issued share capital of Weldtech Technology Co. Limited ("**Weldtech Technology**") at a total consideration of HK$2,800,000,000 (the "**Consideration**", HK$10,000,000 of the

Consideration has been paid by the Company to SV Technology Company Limited (being one of the Vendors) as the refundable deposit and part payment of the Consideration) (collectively, the "**Acquisition**").

Weldtech Technology holds the entire equity interest in 日滔貿易(上海)有限公司, a wholly foreign-owned enterprise established in the People's Republic of China (the "**PRC**") (the "**WFOE**") (Weldtech Technology together with the WFOE referred to as the "**Weldtech Group**"). Pursuant to the business licence of the WFOE, the business scope of the WFOE, among others, includes wholesale of cooling systems, mechanical and electrical products, construction materials and fitting out materials (excluding concrete and steel), building's exterior metal-made products and building's energy-saving and consultancy services. According to the Vendors, the WFOE would provide energy monitoring and energy-saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption, and to enhance overall energy efficiency of central air-conditioning system via its proprietary ultra performance plant control system and other components.

The Acquisition constituted a very substantial acquisition for the Company under the Listing Rules and was approved by the Shareholders at the extraordinary general meeting of the Company held on 24 June 2011. Later, the third supplemental agreement and the forth supplemental agreement were entered into on 20 July 2011 and 6 October 2011, respectively, thereby, the long stop date of the Sale and Purchase Agreement was extended to 30 December 2011.

On 22 December 2011, the parties to the Sale and Purchase Agreement (the "**VSA Parties**") entered into a fifth supplemental agreement (the "**Fifth Supplemental Agreement**") to amend certain terms and conditions of the Sale and Purchase Agreement (the "**Proposed Amendment**") and to extend the long stop date thereof to 31 January 2012.

Furthermore, on 22 December 2011, the Placing Agent, the Company and the Purchaser entered into a supplemental placing agreement (the "**Supplemental Placing Agreement**") to amend certain terms and conditions of the Second Placing Agreement (the details of which are reported under "Fund Raising Activities" below).

During the vetting of the draft announcement of the Company in relation to the Fifth Supplemental Agreement and the Supplement Placing Agreement, the Listing Division of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") considered that the Proposed Amendment was a material variation to the terms of the Sale and Purchase Agreement and the Acquisition under Rule 14.36 of the Listing Rules and ruled that the Company should re-comply with all applicable requirements for a very substantial acquisition under the Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the Fifth Supplemental Agreement, including that the Fifth Supplemental Agreement should be made conditional on approval by the Shareholders in general meeting (the "**Ruling**"). Although the Board did not agree with the Ruling and the Company eventually decided not to proceed with the review of the Ruling.

After 31 January 2012, the VSA Parties continued to negotiate on the possible further extension of the long stop date. The VSA Parties are desirous to complete the Acquisition and the discussions amongst the VSA Parties have never broken down. However, in view of the Ruling which cast great uncertainty on the proceeding of the Acquisition under the current structure, on 29 February 2012, the VSA Parties reached an understanding not to further extend the long stop date, and instead discussed about the way to proceed with the Acquisition, including doing so in or under an optimal and/or revised structure (the "**Revised Structure**"). As such, the VSA Parties may, subject to the execution of further supplemental agreement which, amongst others, sets out the terms and conditions of the Acquisition or the Revised Structure, proceed with the Acquisition or the Revised Structure regardless of the fact that the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) has lapsed as on 29 February 2012.

The Company will seek counsel's advice on the legality and validity of proceeding with the Acquisition or the Revised Structure, and if the terms and conditions of the further supplemental agreement constitute material changes to the Sale and Purchase Agreement and/or the Acquisition, the Company will comply with the Listing Rule requirements accordingly. While no final decision has been made up to the date of this announcement, the Directors are optimistic about the outcome of such discussions.

For further details, please refer to the Company's announcements dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012 and 22 March 2012, respectively, and the Company's circular dated 31 May 2011.

Fund Raising Activities

The Company, in anticipation of the funding requirement for the cash consideration, business development and working capital requirement of the Weldtech Group and/or other future potential investment and business opportunities of the Group, entered into a placing agreement on 9 June 2011 (as amended) (the "**Placing Agreement**") with respect to a placing of up to 6,250,000,000 placing shares (the "**Placing**"). Owing to the then global financial turmoil, the Placing could not be completed by the long stop date on 30 September 2011, accordingly, the Placing Agreement lapsed. For further details, please refer to the Company's announcements dated 9 June 2011, 20 July 2011 and 30 September 2011, respectively, and the Company's circular dated 22 June 2011.

On 18 October 2011, the Company and FT Securities Limited (the "**Placing Agent**") entered into the second placing agreement with respect of a placing of 6,500,000,000 placing shares to replace the Placing Agreement (collectively, the "**Second Placing Agreement**"). On 22 December 2011, the Supplemental Placing Agreement was entered into to amend the Second Placing Agreement. With the lapsing of the Sale and Purchase Agreement on 29 February 2012 reported above, the placing contemplated under the Supplemental Placing Agreement (the "**Revised Placing**") cannot proceed in its structure as enshrined under the Supplemental Placing Agreement. The Company and the Placing Agent, on 21 March 2012, entered into an agreement to terminate the Revised Placing unconditionally. For further details, please refer to the Company's announcements dated 18 October 2011, 30 November 2011, 9 January 2012, 12 January 2012 and 22 March 2012, respectively, and the Company's circular dated 15 November 2011.

Furthermore, as reported under the section headed "Capital Structure" above, during the current year, net proceeds of approximately HK$34.7 million and HK$1.47 million were raised from the exercises of the Options and the issuance of 10,000,000 new Shares upon the exercise of the subscription right attached to 10,000,000 Warrants. Such net proceeds were fully applied to the Group's general working capital as intended.

As at 31 December 2011, there were 552,000,000 Warrants outstanding, each of which entitled the holder thereof to subscribe for one Share at an initial warrant exercise price of HK$0.147 per share (subject to adjustment) during a period of 24 months ending on 21 June 2012. On this basis, further net proceeds of up to approximately HK$81 million may be raised in the future from the issuance of new Shares upon the exercise in full (if occurs) of the subscription rights attached to such Warrants.

Significant investments held

Save as reported above, as at 31 December 2011, the Group held no other significant investments.

Staff and remuneration

The Group had 10 (2010: 11) employees at 31 December 2011 and total staff costs incurred during the year amounted to approximately HK$2.9 million (2010: approximately HK$3.8 million). The Group offers competitive remuneration packages to its employees.

Events after the Reporting Period

On 14 March 2012, The Building and Loan Agency (Asia) Limited (a wholly-owned subsidiary of the Company) filed a winding-up petition in the High Court of Hong Kong with respect to repayment of a loan in the principal amount of HK$200,712,328.77 together with interest accrued thereon. The legal proceeding is still ongoing. For further details, please refer to the Company's announcement dated 14 March 2012.

As reported under "Fund Raising Activities" above, on 21 March 2012, the parties to the Second Placing entered into an agreement to terminate the Revised Placing unconditionally. For further details, please refer to the Company's announcement dated 22 March 2012.

As reported under the "Material Acquisition" above, on 29 February 2012, the VSA Parties reached an understanding not to further extend the long stop date, and instead discussed about the way to proceed with the Acquisition, including doing so in or under the Revised Structure. As such, the VSA Parties may, subject to the execution of further supplemental agreement, proceed with the Acquisition or the Revised Structure regardless of the fact that the VSA Agreement (as supplemented by the Fifth Supplemental Agreement) has lapsed on 29 February 2012. For further details, please refer to the Company's announcement dated 22 March 2012.

Outlook and Prospect

It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value to the shareholders of the Company. In this connection, the Company has identified the Weldtech Group as an appropriate acquisition target to the Group and is of the view that the Acquisition would allow the Group to diversify into a new line of business with significant growth potential.

As reported under the "Material Acquisition" above, the VSA Parties reached an understanding not to further extend the long stop date of the Sale and Purchase Agreement (that has lapsed on 29 February 2012), and instead discussed about the way to proceed with the Acquisition, including doing so in or under the Revised Structure. As such, the Sale and Purchase Parties may, subject to the execution of further supplemental agreement, proceed with the Acquisition or the Revised Structure. The Company will seek counsel's advice on the legality and validity of proceeding with the Acquisition or the Revised Structure, and if the terms and conditions of the further supplemental agreement constitute material changes to the Sale and Purchase Agreement and/or the VSA, the Company will comply with the Listing Rules requirements accordingly.

While no final decision has been made as at date of this announcement, the Directors are optimistic about the outcome of such discussions and shall give their best efforts to cooperate with the VSA Parties to proceed with the Acquisition or the Revised Structure as soon as possible.

Meanwhile, the Company was advised by the Vendors of the Acquisition that the Weldtech Group has, since the release of the circular with respect to the Acquisition dated 31 May 2011 by the Company, executed various agreements with customers including, but not limited to government authorities, real estate developers, hotel chains, semiconductor conglomerates and automobile conglomerates regarding retrofitting of existing building projects and/or new building construction projects with the UPPC system.

The Company will make further announcements to update the shareholders of the Company as and when appropriate, in particular, when there is any material progress on the Acquisition or the Revised Structure, or when further placing exercise is launched and conducted, or when there is any development of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CODE ON CORPORATE GOVERNANCE PRACTICE

Throughout the year ended 31 December 2011, the Company applied the principles of and complied with the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Listing Rules on the Stock Exchange except for the following deviations:

Code provision A.2.1 of the CG Code provides, among others, the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. The Company did not appoint a chairman or a CEO during the year. The functions of the chairman and CEO are performed by Directors. The Board will review the current practice from time to time and make appropriate changes if considered necessary.

Rule 3.10(1) of the Listing Rules provides that every board of directors of a listed issuer must include at least three independent non-executive directors. Following the re-designation of Mr. Lam Kwok Hing, Wilfred from independent non-executive Director to non-executive Director with effect from 21 October 2011, the number of the independent non-executive Directors fell to two which is below the minimum requirement. Mr. Lam Raymond Shiu Cheung was appointed as an independent non-executive Director with effect from 17 February 2012 to fill the vacancy arising from the re-designation of Mr. Lam Kwok Hing, Wilfred, thereby the requirement under Rule 3.10(1) was fulfilled since then.

MODEL CODE FOR 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 year.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "**Audit Committee**") consists three independent non-executive Directors; namely, Mr. Ng Cheuk Fan, Keith (the chairman of the Audit Committee), Mr. Yeung Wai Hung, Peter and Mr. Lam Raymond Shiu Cheung, and one non-executive Director, Mr. Lam Kwok Hing, Wilfred.

The primary duties of the Audit Committee are to review the Company's annual reports and accounts, half-year reports and internal control system, and to review significant financial reporting judgments contained in its report and to provide advice and comments thereon to the Board.

The audited final results for the year ended 31 December 2011 of the Company have been reviewed by the Audit Committee.

SCOPE OF WORK OF MESSRS. ZHONGLEI (HK) CPA COMPANY LIMITED

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 2011 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. ZHONGLEI (HK) CPA Company Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. ZHONGLEI (HK) CPA Company Limited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. ZHONGLEI (HK) CPA Company Limited on the preliminary announcement.

By order of the Board
The Hong Kong Building and Loan Agency Limited
So Yuen Chun
Executive Director

Hong Kong, 23 March 2012

As at the date of this announcement, the Board comprises Mr. So Yuen Chun and Mr. Yeung Kwok Leung being executive Directors; Mr. Lam Kwok Hing, Wilfred being non-executive Director; Mr. Ng Cheuk Fan, Keith, Mr. Yeung Wai Hung, Peter and Mr. Lam Raymond Shiu Cheung being independent non-executive Directors.