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 2012

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 2012, together with the relevant comparative figures for the previous year as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Revenue	*3*	**42,224**	37,995
Interest income		**42,224**	37,995
Interest expense	*5*	**(270)**	–
Net interest income		**41,954**	37,995
Fair value changes on financial assets at fair value through profit or loss		**(537)**	(42,562)
Gain on disposal of financial assets at fair value through profit or loss		**8,346**	–
Loss on issuance of options to subscribe convertible bonds		**(13,164)**	–
Other income	*4*	**3,581**	7
Share-based payments expenses		**(1,881)**	–
Operating expenses		**(24,941)**	(42,801)
Impairment loss recognised in respect of available-for-sale investments		**–**	(241)
Finance costs	*5*	**(218)**	–
Profit (loss) before tax		**13,140**	(47,602)
Income tax expense	*7*	**(2,816)**	(1,703)

	Notes	2012 HK$'000	2011 HK$'000
Profit (loss) for the year	*8*	**10,324**	(49,305)
Other comprehensive income (expense)			
Fair value changes on available-for-sale investments		**2,109**	(10,320)
Deferred tax relating to fair value change on available-for-sale investments		**(348)**	1,703
Other comprehensive income (expense) for the year, net of income tax		**1,761**	(8,617)
Total comprehensive income (expense) for the year		**12,085**	(57,922)
Profit (loss) for the year attributable to the owners of the Company		**10,324**	(49,305)
Total comprehensive income (expense) attributable to the owners of the Company		**12,085**	(57,922)
		HK cents	*HK cents* (Restated)
Earnings (loss) per share			
– Basic	*10*	**2.37**	(11.71)
– Diluted		**2.34**	(11.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Equipment		**51**	369
Mortgage loans	*11*	**7,419**	11,235
Loan receivables	*13*	**40,500**	–
Deposit paid for acquisition of a subsidiary		**–**	10,000
Available-for-sale investments	*14*	**3,157**	6,619
		51,127	28,223
CURRENT ASSETS			
Mortgage loans	*11*	**25,662**	654
Financial assets at fair value through profit or loss	*15*	**13,981**	20,626
Loan receivables	*13*	**280,992**	280,712
Prepayments, deposits and other receivables	*16*	**72,148**	33,383
Tax recoverable		**903**	35
Bank balances and cash	*17*	**8,347**	17,994
		402,033	353,404
CURRENT LIABILITIES			
Other payables and accruals	*18*	**17,722**	9,024
Borrowing		**5,000**	–
		22,722	9,024
NET CURRENT ASSETS		**379,311**	344,380
TOTAL ASSETS LESS CURRENT LIABILITIES		**430,438**	372,603
NON-CURRENT LIABILITY			
Non-convertible bonds		**30,000**	–
NET ASSETS		**400,438**	372,603
CAPITAL AND RESERVES			
Share capital	*19*	**43,515**	435,149
Reserves		**356,923**	(62,546)
TOTAL EQUITY		**400,438**	372,603

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	Share premium	Share capital reserve	Share option reserve	Convertible bonds	Convertible bond options	Warrants	Investments revaluation reserve	Retained profits (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	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 exercise 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 exercise of warrants	1,000	570	–	–	–	–	(100)	–	–	1,470
At 31 December 2011	435,149	54,119	–	–	169	–	5,520	–	(122,354)	372,603
Profit for the year	–	–	–	–	–	–	–	–	10,324	10,324
Fair value changes on available-for-sale investments	–	–	–	–	–	–	–	2,109	–	2,109
Deferred tax relating to fair value change on available-for-sale investments	–	–	–	–	–	–	–	(348)	–	(348)
Total comprehensive income for the year	–	–	–	–	–	–	–	1,761	10,324	12,085
Issue of convertible bond options	–	–	–	–	–	13,947	–	–	–	13,947
Capital reorganisation	(391,634)	–	270,186	–	–	–	–	–	121,448	–
Cancellation of convertible bonds upon expired	–	–	–	–	(169)	–	–	–	91	(78)
Recognition of equity-settled share-based payments	–	–	–	1,881	–	–	–	–	–	1,881
Cancellation of warrants upon expired *(Note 20)*	–	–	–	–	–	–	(5,520)	–	5,520	–
At 31 December 2012	**43,515**	**54,119**	**270,186**	**1,881**	**–**	**13,947**	**–**	**1,761**	**15,029**	**400,438**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 referred 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 and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to Hong Kong Accounting Standard ("HKAS") 12	Deferred Tax: Recovery of Underlying Asset

The application of the amendments to HKFRSs and HKASs 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.

New and revised HKFRSs issued but not yet effect

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities[3]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised 2011)	Employee Benefits[2]
HKAS 27 (as revised 2011)	Separate Financial Statements[2]
HKAS 28 (as revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (IFRIC*) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

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

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

3 *Effective for annual periods beginning on or after 1 January 2014.*

4 *Effective for annual periods beginning on or after 1 January 2015.*

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company (the "Directors") anticipate that the application of the amendments will have no material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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 certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The Directors anticipate that the application of other new and revised HKFRSs and HKASs will have no material impact on the consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards would not have a significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as "statement of profit or loss". 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 items of other comprehensive income to be 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 amendment do not change the option to present items of other comprehensive income either before tax or net of tax.

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.

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 activities is as follows:

	2012	2011
	HK$'000	*HK$'000*
Loan financing:		
Interest on mortgage loans	**1,724**	1,277
Interest on loan receivables	**40,493**	36,716
Treasury investments:		
Interest on bank deposits	**1**	2
Interest on securities trading accounts	**6**	–
	42,224	37,995

4. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Reversal of impairment loss in respect of loan receivables	**1,000**	–
Reversal of impairment loss in respect of interest receivables	**2,248**	–
Other	**333**	7
	3,581	7

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest expense on non-convertible bonds	**270**	–
Interest expense on borrowing	**208**	–
Interest expense on securities trading accounts	**10**	–
	218	–
	488	–

6. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- loan financing
- treasury investments

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

	Loan financing		Treasury investments		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**42,217**	37,993	**7**	2	**42,224**	37,995
Segment profit (loss)	**32,983**	34,326	**7,802**	(42,594)	**40,785**	(8,268)
Centralised administration costs					**(27,760)**	(39,334)
Unallocated other income					**333**	–
Finance cost					**(218)**	–
Profit (loss) before tax					**13,140**	(47,602)
Income tax expense					**(2,816)**	(1,703)
Profit (loss) for the year					**10,324**	(49,305)
Segment assets	**429,974**	337,019	**18,255**	29,888	**448,229**	366,907
Unallocated assets					**4,931**	14,720
Total assets					**453,160**	381,627
Segment liabilities	**30,269**	–	**–**	–	**30,269**	–
Unallocated liabilities					**22,453**	9,024
Total liabilities					**52,722**	9,024

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 to the consolidated financial statements.

Segment profit/(loss) represents the pre-tax profit earned by (loss from) each segment without allocation of centralised administration costs such as certain other income, share-based payments expenses, loss on issuance of options to subscribe convertible bonds, directors' emoluments, staff salaries, operating lease rentals and certain legal and professional fees. This is the measure reported to the CODM of the Company for the purposes of resource allocation and performance assessment.

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

Segment liabilities represent the liabilities allocated to reportable and operating segments other than borrowing and its interest payables and certain other payables and accruals. There is no segment liability at 31 December 2011.

Amounts included in the measure of segment profit or loss or segment assets:

	Loan financing		Treasury investments		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**42,217**	37,993	**7**	2	**–**	–	**42,224**	37,995
Interest expense	**(270)**	–	**–**	–	**–**	–	**(270)**	–
Reversal of impairment loss in respect of mortgage loans	**–**	45	**–**	–	**–**	–	**–**	45
Reversal of impairment loss in respect of loan receivables	**1,000**	–	**–**	–	**–**	–	**1,000**	–
Reversal of impairment loss in respect of interest receivables	**2,248**	–	**–**	–	**–**	–	**2,248**	–
Impairment loss recognised in respect of interest receivables	**(70)**	(2,248)	**–**	–	**–**	–	**(70)**	(2,248)
Impairment loss recognised in respect of loan receivables	**(1,000)**	(1,000)	**–**	–	**–**	–	**(1,000)**	(1,000)
Impairment loss recognised in respect of other receivables	**–**	–	**–**	–	**–**	(9,200)	**–**	(9,200)
Net foreign exchange (loss) gain	**–**	–	**(12)**	2	**–**	–	**(12)**	2
Gain on disposal of financial assets at fair value through profit or loss	**–**	–	**8,346**	–	**–**	–	**8,346**	–
Impairment loss recognised in respect of available-for-sale investments	**–**	–	**–**	–	**–**	(241)	**–**	(241)
Loss on disposal of equipment	**–**	–	**–**	–	**(87)**	–	**(87)**	–
Share-based payments expense	**–**	–	**–**	–	**(1,881)**	–	**(1,881)**	–
Loss on issuance of options to subscribe convertible bonds	**–**	–	**–**	–	**(13,164)**	–	**(13,164)**	–
Fair value changes on financial assets at fair value through profit or loss	**–**	–	**(537)**	(42,562)	**–**	–	**(537)**	(42,562)

Amounts regularly provided to the CODM but not include in the measure of segment profit or loss or segment assets is immaterial.

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 of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**30,189**	27,962
Customer B	**5,415**	5,063

7. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Provision for the year	**2,721**	–
– Under-provision in prior year	**443**	–
Deferred taxation	**(348)**	1,703
Income tax expense	**2,816**	1,703

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

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

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) before tax	**13,140**	(47,602)
Tax at the Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**2,168**	(7,854)
Tax effect of income not taxable for tax purpose	**(536)**	(9,862)
Tax effect of expenses not deductible for tax purpose	**371**	13,418
Utilisation of tax losses previously not recognised	**(1,071)**	(4,149)
Tax effect of (taxable) deductible temporary differences	**(348)**	1,703
Tax effect of tax losses not recognised	**1,789**	8,447
Under-provision in prior year	**443**	–
Income tax expense	**2,816**	1,703

8. PROFIT (LOSS) FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments)		
Directors' fees	**388**	359
Salaries, bonus and other benefits	**4,469**	2,608
Share-based payments expenses	**1,351**	–
Contributions to retirement benefits scheme	**125**	55
	6,333	3,022
Depreciation	**86**	97
Auditor's remuneration		
– Audit service	**370**	350
– Non-audit service	**125**	311
Operating lease payments	**1,539**	1,416
Share-based payments expenses – consultant	**530**	–
Reversal of impairment loss in respect of mortgage loans	**–**	(45)
Impairment loss recognised in respect of interest receivables	**70**	2,248
Impairment loss recognised in respect of other receivables	**–**	9,200
Impairment loss recognised in respect of loan receivables	**1,000**	1,000
Net foreign exchange loss (gain)	**12**	(2)
Loss on disposal of equipment	**87**	–
Legal and professional fees	**10,766**	16,977

9. DIVIDENDS

No dividend was paid or proposed during the year ended 2012, nor has any dividend been proposed since the end of the reporting periods (2011: Nil).

10. EARNINGS (LOSS) PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**10,324**	(49,305)

	Number of shares	
	2012	2011
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**435,149**	420,931
Effect of dilutive potential ordinary shares:		
Options to subscribe convertible bonds *(Note)*	**6,701**	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	**441,850**	420,931

Note:

The computation of diluted earnings per share does not assume the exercise of the outstanding share options, warrants and convertible bonds as their exercise price is higher than the average market price of the shares for the year ended 31 December 2012.

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

11. MORTGAGE LOANS

	2012	2011
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**32,679**	11,390
Variable-rate loan receivables	**402**	499
	33,081	11,889
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the end of the reporting period)	**25,662**	654
Non-current assets (receivables after 12 months from the end of the reporting period)	**7,419**	11,235
	33,081	11,889

On 13 January 2011, the Group entered into an agreement with a corporate borrower to extend the repayment of two mortgage loans totally of HK$127,000,000 with variable interest rate 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 totally amounting to 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 borrower, as collateral, the mortgage loan has been reclassified as loan receivable in Note 13 during the year ended 31 December 2011 accordingly.

Included in the fixed-rate mortgage loan as at 31 December 2011 was a mortgage loan to a corporate customer amounting to HK$2,000,000 (the "Mortgage Loan"), which was secured by a second mortgage over a residential property located in Hong Kong with interest at 8% per annum and the principal was repayable on 16 August 2013. On 31 December 2012, the Mortgage Loan and the related interest receivable were restructured to another corporate customer (the "Loan Borrower") and the security was changed to certain ordinary shares of a company incorporated in Hong Kong, which is also the security of another loan borrowed by Loan Borrower amounting to HK$2,680,000. As at 31 December 2012, the Mortgage Loan has been reclassified as loan receivable *(Note 13)*.

The mortgage loans of approximately HK$33,081,000 (2011: approximately HK$11,889,000) are secured by mortgage properties. These mortgage loans at 31 December 2012 are net of impairment allowances of HK$ Nil (2011: HK$ Nil).

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:

	2012	2011
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	**645**	159
Over 3 months but less than 1 year	**25,017**	495
Over 1 year but less than 5 years	**7,419**	11,179
Over 5 years	**–**	56
	33,081	11,889

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$33,081,000 (2011: approximately HK$11,889,000) 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 neither past due nor impaired, at the end of the reporting period is analysed as follows:

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**33,081**	11,889

The Directors are of the view that no individual impairment allowance is necessary since the outstanding loans are fully secured by the respective mortgage properties and the fair value of the secured mortgage properties is exceeded the carrying amount of the respective mortgage loans.

12. IMPAIRMENT ALLOWANCES ON MORTGAGE LOANS

	HK$'000
Collective impairment allowances	
At 1 January 2011	45
Write-back during the year 2011	(45)
At 31 December 2011 and **31 December 2012**	**–**

There are no individual impairment allowances made for mortgage loans of the Company as at 31 December 2012 and 2011.

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.

13. LOAN RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**121,780**	81,000
Variable-rate loan receivables	**200,712**	200,712
	322,492	281,712
Less: accumulated impairment allowance on fixed-rate loan receivables	**(1,000)**	(1,000)
	321,492	280,712
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the end of the reporting period)	**280,992**	280,712
Non-current assets (receivables after 12 months from the end of the reporting period)	**40,500**	–
	321,492	280,712

i) The loan receivables outstanding at 31 December 2012 and 2011 are denominated in Hong Kong dollars.

ii) At 31 December 2012, a loan receivable amounting to HK$60,000,000 (2011: HK$60,000,000), carries fixed interest rate at 9% per annum (2011: 9%) and is secured by a convertible bond issued by a listed entity in Hong Kong. The loan has been expired on 1 August 2012 and The Building and Loan Agency (Asia) Limited ("The BLA (Asia)"), a wholly owned subsidiary of the Company, as the lender filed a writ in the High Court of Hong Kong on 27 September 2012 against the guarantor for default on full repayment of the loan in the principal amount of approximately HK$60,000,000 together with interest accrued thereon (collectively, the "Writ"). Subsequent to the reporting period, the loan was fully repaid through the realisation of the secured convertible bond, as details disclosed in Note 21(3).

iii) A loan receivable amounting to approximately HK$200,712,000 (2011: HK$200,712,000) 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 loans as mentioned in Note 11.

In December 2011, the Group called for repayment on the principal amount of loan and respective accrued interest (the "Loan"). Therefore, the loan receivable of approximately HK$200,712,000 became due immediately. Following the failure of the borrower and/or the guarantor to repay all or part of the Loan upon demand, the floating charge crystallised and converted into a fixed charge (the "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. On 14 March 2012, The BLA (Asia) (the "Lender") filed a winding-up petition in the High Court of Hong Kong against the guarantor for default on full repayment of the Loan in the principal amount of approximately HK$200,712,000 together with interest accrued thereon (collectively, the "Petition"). On 9 July 2012, the Petition was subsequently dismissed upon the application of The BLA (Asia). The Directors are of the opinion that the Group will enter a receivership on the Charged Property in order to recover the Loan (the "Proposed Receivership").

Taking into account of the legal letter dated 21 February 2013 issued by an independent professional solicitor, which stated that the Charge will have probably priority over any other charge registered with the Land Registry after 24 February 2012, the date of a signed certificate deemed the Charge to be effective. Therefore, a charge created but not yet registered with Land Registry by another creditor of the guarantor, Fameway Financial Limited ("Fameway"), on 9 September 2010 over the Charged Property probably ranks below the Charge. On 1 March 2013, The BLA (Asia) assigned its rights under the loan agreement dated 26 January 2011 and the Charge to Revelry Gains Limited, as details disclosed in Note 21(4).

According to the valuation report dated 13 March 2013 (the "Valuation Report") issued by an independent professional valuer, Malcolm & Associates Appraisal Limited, the fair value of the Charged Property as at 31 December 2012 is HK$430,000,000. With regard to the proposed receivership, the fair value of the property would be discounted to a range of HK$360,000,000 forced sale value stated in the Valuation Report. The Directors 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.

iv) A loan receivable amounting to HK$2,000,000 was reclassified from mortgage loan receivables as at 31 December 2012 as details disclosed in Note 11. The loan carries fixed interest rate of 8% and is secured by certain ordinary shares of a company incorporated in Hong Kong, which is also the security of a loan borrowed by existing borrower amounting to HK$2,680,000 with interest at 10% per annum.

v) A loan receivable amounting to HK$10,000,000 (2011: HK$Nil) is secured by a bond issued by a listed entity in Hong Kong and carries fixed interest rate of 12.25% per annum in first and second years and 6% per annum for the remaining period. The principal is repayable on 5 December 2019.

vi) The loan receivables amounting to HK$30,000,000 (2011: HK$Nil) are secured by corporate guarantees provided by companies in People's Republic of China (the "PRC") and carries fixed interest rate of 20.5% per annum in first year and 8% per annum for the remaining period. The principals of the loan receivables of HK$10,000,000, HK$10,000,000 and HK$10,000,000 are repayable on 12 May 2020, 17 May 2020 and 4 June 2020 respectively.

vii) A loan receivable amounting to HK$500,000 (2011: HK$Nil) is secured by a private car of the borrower, carries fixed interest rate of 12% per annum and repayable on 30 September 2014. The loan receivable was fully settled in January 2013.

viii) A loan receivable amounting to HK$10,000,000 (2011: HK$15,000,000) is secured by a corporate guarantee provided by a listed entity in Hong Kong and carries fixed interest rate of 9% per annum.

ix) As at 31 December 2012, the remaining loan receivables amounting to HK$6,600,000 (2011: HK$6,000,000) are unsecured and carry fixed interest rates at a range from 9% to 20% (2011: 9% to 20%) per annum.

x) 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:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**262,712**	203,712
Over 3 months but less than 1 year	**18,280**	77,000
Over 1 year but less than 5 years	**500**	–
More than 5 years	**40,000**	–
	321,492	280,712

Included in the carrying amount of the fixed-rate loan of HK$5,600,000 as at 31 December 2012 (2011: HK$3,000,000) is unsecured loan borrowed by a listed entity in Hong Kong.

Movement in the accumulated impairment allowance on loan receivables:

	HK$'000
At 1 January 2011	–
Charge during the year	1,000
At 31 December 2011	1,000
Charge during the year	1,000
Reverse during the year	(1,000)
At 31 December 2012	1,000

Included in the above impairment loss recognised at 31 December 2012 was individually impaired loan receivable with a carrying amount of HK$1,000,000 (2011: HK$60,000,000) before impairment which have been in financial difficulties.

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.

14. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	HK$'000	*HK$'000*
Listed investments:		
Equity securities listed in Hong Kong	**2,898**	6,360
Unlisted investments:		
Equity securities in Hong Kong, at cost	**500**	500
Less: accumulated impairment allowance	**(241)**	(241)
Equity securities in Hong Kong, net	**259**	259
Total	**3,157**	6,619

The equity securities listed in Hong Kong represent the fair value of an equity investment in 1.41% (2011: 4.95%) of total outstanding issued shares of a listed entity at the end of the reporting period. As the trading of the shares of the listed equity securities, has been suspended from 1 November 2012 to 8 January 2013, the fair value as at 31 December 2012 amounting to approximately HK$2,898,000, was determined with reference to the closing bid price as at 31 October 2012.

During the year ended 31 December 2012, the Group disposed of certain listed equity securities with carrying amount of approximately HK$5,570,000, which had been carried at cost less impairment before the disposal.

The unlisted investments represent investments in unlisted equity securities in 5% (2011: 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 accumulated impairment loss, if any, at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	HK$'000	*HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	**13,981**	20,626

At 31 December 2012, fair value of the listed equity securities, amounting to approximately HK$12,411,000, 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 5 December 2012 to 30 January 2013, the fair value as at 31 December 2012, amounting to HK$1,570,000, was determined with reference to the closing bid price as at 4 December 2012.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Interest receivables	**68,240**	31,315
Prepayments	**640**	1,431
Receivables from securities brokers	**29**	2,577
Receivable from disposal of a subsidiary	**9,200**	9,200
Others	**3,309**	308
	81,418	44,831
Less: accumulated impairment allowance	**(9,270)**	(11,448)
	72,148	33,383

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	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2011	–	–	–
Charge during the year	2,248	9,200	11,448
At 31 December 2011	2,248	9,200	11,448
Charge during the year	70	–	70
Reverse during the year	(2,248)	–	(2,248)
At 31 December 2012	**70**	**9,200**	**9,270**

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:

	2012	2011
	HK$'000	*HK$'000*
USD	**–**	277

17. 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 Nil to 0.2% (2011: 0.1% to 0.2%) per annum. The fair value of these assets approximates the corresponding carrying amount.

18. OTHER PAYABLES AND ACCRUALS

	2012	2011
	HK$'000	*HK$'000*
Accrued service fees for acquisition of a subsidiary	**5,870**	7,478
Accrued expenses	**4,656**	1,327
Receipt in advance	**3,615**	–
Interest payables	**478**	–
Other payables	**3,103**	219
	17,722	9,024

19. SHARE CAPITAL

	Par value per share	**Number of shares**	
	HK$		*HK$'000*
Authorised:			
Ordinary shares			
At 1 January 2011	0.1	5,000,000,000	500,000
Increase in authorised share capital *(note a)*	0.1	25,000,000,000	2,500,000
At 31 December 2011	0.1	30,000,000,000	3,000,000
Capital reduction *(note b)*	(0.09)	–	(2,700,000)
Share consolidated *(note b)*	N/A	(27,000,000,000)	–
At 31 December 2012	**0.1**	**3,000,000,000**	**300,000**
Issued and fully paid:			
Ordinary shares			
At 1 January 2011	0.1	3,994,700,358	399,470
Issue of shares upon conversion of convertible bonds	0.1	346,788,309	34,679
Exercise of warrants *(note 20)*	0.1	10,000,000	1,000
At 31 December 2011	0.1	4,351,488,667	435,149
Capital reduction *(note b)*	(0.09)	–	(391,634)
Share consolidated *(note b)*	N/A	(3,916,339,801)	–
At 31 December 2012	**0.1**	**435,148,866**	**43,515**

Notes:

(a) 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.

(b) Pursuant to an extraordinary general meeting of the Company held on 21 June 2012, the shareholders of the Company approved the cancellation of HK$0.09 of the paid up capital on each issued share of HK$0.10, the reduction of the par value of all the issued and unissued shares from HK$0.10 to HK$0.01 each (the "Reduced Shares") (the "Capital Reduction") and the consolidation of every 10 Reduced Shares into 1 ordinary share of HK$0.10 each (the "Capital Reorganisation"). On 17 December 2012, the Court of First Instance of the High Court of Hong Kong granted an order to confirm the Capital Reorganisation with effect on 19 December 2012. The credit arising from the Capital Reduction will be utilised to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s). Details are set out in a circular of the Company dated 29 May 2012, announcements dated 21 June 2012 and 18 December 2012.

20. 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 2012, no warrants (2011: 10,000,000) were exercised at HK$0.147 and no shares (2011: 10,000,000) were issued. The total proceeds of the conversion of warrants amounted to zero (2011: HK$1,470,000) was received during the year ended 31 December 2012. At 21 June 2012, 552,000,000 outstanding warrants were expired.

21. EVENTS AFTER THE REPORTING PERIOD

(1) On 26 February 2013, the Company entered into the placing agreement (the "Placing Agreement") with FT Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure, the placees to subscribe for no more than 120 Tranches (in which the principal amount of the convertible bonds placed in each Tranche shall be HK$1,350,000 or any multiple thereof) of the convertible bonds (the "Convertible Bonds") of up to an aggregate principal amount of HK$162,000,000 on a best-effort basis.

Based on the initial conversion price of HK$0.135 per conversion share (the "Conversion Price"), up to a maximum of 1,200,000,000 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full (the "Conversion Shares"), which represent approximately 275.77% of the existing issued share capital of the Company and approximately 73.39% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the specific mandate.

Furthermore, on 15 March 2013, the Company entered into a supplemental placing agreement with the Placing Agent to revise the terms of the Placing Agreement, amongst which, the total number of tranches of convertible bonds of the Company was changed from 120 to 5 and subsequently the aggregate principal amount shall be not less than HK$1,350,000 or any multiple thereof. An extraordinary general meeting will be held to consider and if thought fit, pass resolutions to approve the Placing Agreement and the transactions contemplated thereunder including the placing and issue of the conversion shares of the Company. For further details, please refer to the Company's announcements dated 28 February 2013 and 15 March 2013.

(2) The loan to Eco-Farming amounting to HK$5,600,000 (2011: HK$3,000,000) as at 31 December 2012 which was unsecured, in which HK$4,000,000 due at 31 August 2013 and HK$1,600,000 due at 31 December 2013, this loan together with any interest accrued was extended to 30 September 2014 pursuant to the agreement entered between BLAA and Eco-Farming on 23 February 2013. The loan interest shall be revised to 10% per annum thereafter.

(3) Certain convertible bonds issued by a listed company in Hong Kong had been pledged by a borrower with The BLA (Asia) as security for that borrower's repayment of outstanding loans in the principal amount of HK$60,000,000 together with interest accrued thereon due to The BLA (Asia). On that borrower's failure to repay the outstanding loans, The BLA (Asia) enforced the security by converting the convertible bonds into shares in the said listed company in January 2013. Upon being faced with a genuine claim by another creditor of the borrower (the "Other Creditor"), The BLA (Asia) transferred a certain portfolio of the conversion shares to that Other Creditor in January 2013 against the Other Creditor's undertaking that the Other Creditor shall indemnify The BLA (Asia) for loss and damage which would be suffered as a result of such assignment of a certain portfolio of the conversion shares. As advised by the company's legal advisor, the chance for The BLA (Asia) to be faced with any contingent liability arising from the transfer of a certain portfolio of the conversion shares to Other Creditor is remote.

(4) The BLA (Asia) assigned all the right and interest in a loan receivable of approximately HK$200,712,000 together with the related interest receivable of approximately HK$63,101,000 to Revelry Gains Limited ("Revelry"), another wholly owned subsidiary of the Company in March 2013. In March 2013, Revelry entered into a debt recovery agreement with other creditors outside the Group in order to facilitate the debt recovery process. As at the date hereof, the debt collection is still ongoing.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: 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$42.2 million, representing an increase of approximately 11.1% as compared with HK$38.0 million for the last year. A profit for the year attributable to the owners of the Company of approximately HK$10.3 million (2011: loss of approximately HK$49.3 million) was recorded mainly attributable to an increase in interest income, gain on disposal of financial assets at fair value through profit or loss, decreases in loss on fair value changes on financial assets at fair value through profit or loss as a result of the increase in the share price of equity securities being held and decrease in operating expenses.

Of the total revenue, approximately HK$42.2 million (2011: approximately HK$38.0 million) was generated from the Group's loan financing business which contributed a segment profit of approximately HK$33.0 million (2011: approximately HK$34.3 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 profit of approximately HK$7.8 million was recorded for the year under review, as compared with the segment loss of approximately HK$42.6 million for the last year. The substantial decrease in the loss incurred from the treasury investments is mainly attributable to the increase in the share prices of the equity securities held for investments.

Total Assets and Foreign Exchange Exposure

As at 31 December 2012, the total assets increased to approximately HK$453.2 million (2011: approximately HK$381.6 million). All assets were denominated in Hong Kong dollars save 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 2012, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$3.2 million (2011: approximately HK$6.6 million) and HK$14.0 million (2011: approximately HK$20.6 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 2012. The financial assets at fair value through profit or loss represent held-for-trading investments in six equity securities listed in Hong Kong.

As at 31 December 2012, the Group held mortgage loans and loan receivables amounting to approximately HK$33.1 million (2011: approximately HK$11.9 million) and approximately HK$321.5 million (2011: approximately HK$280.7 million), respectively.

Liquidity and Financial Resources

The Group maintained a liquid position throughout the year. As at 31 December 2012, the Group held bank balances amounting to approximately HK$8.3 million (2011: approximately HK$18 million). The Group had HK$5.0 million borrowings and HK$30.0 million non-convertible bonds as at 31 December 2012 (2011: Nil).

Gearing ratio of the Group as at 31 December 2012, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was 0.07 (2011: zero).

Capital Structure

As at 31 December 2012, the Company's issued ordinary share capital was HK$43,514,886.6 divided into 435,148,866 shares of HK$0.10 each ("**Share(s)**") (31 December 2011: HK$435,148,866.70 divided into 4,351,488,667 Shares).

Regarding the open offer of the Company in 2010, the Company had issued a total of 449,999,997 options to the subscribers of the offer shares ("**Option(s)**"). The Option holders were entitled to subscribe in cash for zero-coupon convertible bonds of the Company which had expired on 31 December 2012 (the "**Convertible Bonds**"). During the year ended 31 December 2012, no Option holders exercised their rights to subscribe for the Convertible Bonds and the outstanding principal amount of the Convertible Bonds of HK$78,720.00 as at 31 December 2012 would be repaid to the respective Convertible Bond holders.

On 21 June 2012, all of the 552,000,000 outstanding non-listed warrants expired.

Capital Reorganisation

The shareholders of the Company had at the Company's extraordinary general meeting held on 21 June 2012 approved the proposed Capital Reorganisation that involves:

(a) the Capital Reduction under which the authorised share capital of the Company will be reduced from HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.10 each to HK$300,000,000 divided into 30,000,000,000 Reduced Shares of HK$0.01 each and that such reduction be effected by cancelling HK$0.09 of the paid up capital on each issued share of HK$0.10 and reducing the par value of each issued or unissued share in the capital of the Company from HK$0.10 per share to HK$0.01 per Reduced Share;

(b) the Share Consolidation under which every ten (10) Reduced Shares of HK$0.01 each will be consolidated into one (1) Adjusted Share of HK$0.10 each;

(c) subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilized to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s) as the Court may direct; and

(d) corresponding amendments to the memorandum and articles of association of the Company.

For details and the meanings of the capitalized terms used in this section, please refer to the Company's announcements dated 19 April 2012, 27 April 2012, 9 May 2012, 21 June 2012, 18 July 2012, 14 August 2012, 14 September 2012, 6 November 2012, 21 November 2012, 29 November 2012 and 18 December 2012, respectively and the Company's circular dated 29 May 2012. The Court has granted an order confirming the proposed Capital Reduction in the hearing of the Petition held on 17 December 2012. All the conditions precedent to the Capital Reorganisation have been fulfilled and the Capital Reorganisation became effective after 4:00 p.m. on 19 December 2012.

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 2012.

Capital Commitment

The Group did not have any capital commitment as at 31 December 2012.

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, 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.

On 24 August 2012 (after trading hours), the VSA Parties mutually agreed to terminate the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) by entering into a termination agreement (the "**Termination Agreement**").

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the VSA Parties to the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) shall be released and neither party shall have any claims against the other for or on account of the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement).

Pursuant to the Termination Agreement, SV Technology shall return the initial deposit of HK$10,000,000 to the Purchaser within 90 days from the date of the Termination Agreement (or such other date as the Purchaser and SV Technology may agree in writing).

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, 22 March 2012 and 24 August 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**") could not 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.

On 16 April 2012, the Company and the Placing Agent entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure, on a best-effort basis, not less than six independent Placees to subscribe for up to 100 options at a premium of HK$6,000 per option (the "Option Placing Agreement"). Owing to the then volatile market sentiment, the placing of such options had not taken place by the long stop date on 11 July 2012. Accordingly, the Option Placing Agreement was lapsed and the placing of options under the Option Placing Agreement did not proceed.

On 24 July 2012, the Company and the Placing Agent entered into the second placing agreement with respect of placing up to 100 options at a premium of HK$7,830 per option to not less than six independent placees (the "**Second Placing Agreement**"). Each optionholder was entitled to subscribe for convertible bonds of the Company in the principal amount of HK$156,000 at the subscription price of HK$156,000. Assuming exercise of all of the 100 options, the optionholders are entitled to subscribe for, in aggregate, convertible bonds of the Company in the principal amount of up to HK$15,660,000.

On 8 October 2012, the conditions of the Second Placing Agreement had been fulfilled and the net proceeds were approximately HK$653,000 with net placing price of HK$6,530 per option.

For further details, please refer to Company's announcements dated 19 April 2012, 24 July 2012 and 8 October 2012, respectively, and the Company's circular dated 28 May 2012.

Significant Investments Held

Save as reported above, as at 31 December 2012, the Group held no other significant investments.

Staff and Remuneration

The Group had 14 (2011: 10) employees as at 31 December 2012 and total staff costs incurred during the year amounted to approximately HK$5 million (2011: approximately HK$2.9 million). The Group offers competitive remuneration packages to its employees. Other benefits include share options granted or to be granted under the share option scheme of the Company.

Events after the Reporting Period

Details are set out in note 21 to the consolidated financial statements.

Outlook and Prospect

The loan financing business, which are mainly mortgage services, continues to generate interest income for the Group during the year ended 31 December 2012. In the view that the interest rate will increase gradually, the Group is optimistic that the loan financing business will generate higher income. While developing its strategy in treasury investment, which may consist of listed securities, treasury products and derivatives investment, the Group would continue exploring and broadening the existing businesses in order to strengthen its competitiveness and provide business growth potential. The Group is also looking for other investment opportunities to diversify its business portfolios. On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to its shareholders in view of the promising market outlook.

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 2012, 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 save for the following deviations:

Under code provision A.2.1 of the CG Code, 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.

Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have a chairman, no such meeting was held in this regard for the year ended 31 December 2012.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some directors of the Company were absent from the last annual general meeting of the Company held on 28 June 2012 and the extraordinary general meetings of the Company held on 21 June 2012 and 7 December 2012 respectively, due to his other important engagement at the relevant time.

Following the resignation of Mr. Ng Cheuk Fan, Keith, the number of independent non-executive directors and the members of the audit committee of the Company (the "**Audit Committee**") has fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. In addition, the Company has failed to meet the requirements set out in Rules 3.10(2) and 3.21 of the Listing Rules since the chairman of the audit committee has been vacant and the Board and audit committee no longer comprised of at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. On 1 November 2012, the Company appointed Ms. Yuen Wai Man, with professional accounting qualifications, as an independent non-executive director of the Company and chairman of the audit committee of the Company. Hence, the requirements under Rules 3.10(1), 3.10(2) and 3.21 were fulfilled since then.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. All Directors 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 of three independent non-executive Directors; namely, Ms. Yuen Wai Man (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 Group'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 2012 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 2012 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 ended 31 December 2012. 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, 28 March 2013

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. Yeung Wai Hung, Peter, Mr. Lam Raymond Shiu Cheung and Ms. Yuen Wai Man being independent non-executive Directors.