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## **The Hong Kong Building and Loan Agency Limited**

**香港建屋貸款有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 145)**

### **FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015**

The board (the “**Board**”) of directors (the “**Director(s)**”) of The Hong Kong Building and Loan Agency Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$’000</i>	2014 <i>HK\$’000</i>
<b>Revenue</b>	5	<b>16,776</b>	16,423
Cost of operation		<u>(14,341)</u>	<u>(8,636)</u>
<b>Gross profit</b>		<b>2,435</b>	7,787
Other income	6	<b>2,457</b>	3,227
Reversal of impairment loss recognised in respect of loan receivables		–	5,680
Fair value change on contingent consideration payables		<b>93,103</b>	52,856
Fair value changes on financial assets at fair value through profit or loss		<b>955</b>	(20,864)
Loss on disposal of financial assets at fair value through profit or loss		<b>(69)</b>	(281)

	<i>Notes</i>	<b>2015</b> <b><i>HK\$'000</i></b>	2014 <i>HK\$'000</i>
Impairment loss on loan interest receivables		–	(1,250)
Loss on disposal of subsidiaries		<b>(80,531)</b>	(58,983)
Impairment loss on goodwill		<b>(666,660)</b>	–
Impairment loss on available-for-sale financial assets		<b>(9,777)</b>	(259)
Fair value changes on financial liabilities derivatives		<b>(2,574)</b>	–
Selling expenses		<b>(6,380)</b>	(4,449)
Administrative and operating expenses		<b>(112,012)</b>	(176,271)
<b>Loss from operation</b>		<b>(779,053)</b>	(192,807)
Finance costs	7	<b>(87,470)</b>	(59,958)
<b>Loss before taxation</b>	9	<b>(866,523)</b>	(252,765)
Taxation	8	<b>51,095</b>	9,394
<b>Loss for the year</b>		<b>(815,428)</b>	(243,371)
<b>Other comprehensive (loss)/income for the year, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(358)</b>	337
Other comprehensive (loss)/income for the year, net of tax		<b>(358)</b>	337
<b>Total comprehensive loss for the year, net of tax</b>		<b>(815,786)</b>	(243,034)
<b>Loss for the year attributable to owners of the Company</b>		<b>(815,428)</b>	(243,371)
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(815,786)</b>	(243,034)
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
<b>Loss per share</b>	<i>11</i>		
Basic and diluted		<b>(52.33)</b>	(29.59)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2015*

	<i>Notes</i>	<b>2015</b>	2014
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		<b>805,905</b>	860,389
Property, plant and equipment		<b>1,910</b>	4,879
Construction in progress		<b>6,630</b>	10,531
Goodwill		<b>608,960</b>	1,275,620
Loan receivables	<i>12</i>	<b>87</b>	30,251
Available-for-sale financial assets		<b>10,089</b>	–
Finance lease receivables		<b>15,917</b>	18,877
		<u><b>1,449,498</b></u>	<u>2,200,547</u>
<b>Current assets</b>			
Loan receivables	<i>12</i>	<b>163</b>	171,829
Financial assets at fair value through profit or loss		<b>12,934</b>	24,354
Inventories		<b>813</b>	678
Trade and bills receivables	<i>13</i>	<b>123</b>	1,203
Prepayments, deposits and other receivables		<b>1,987</b>	4,131
Finance lease receivables		<b>8,529</b>	8,863
Amounts due from customers under construction contracts		<b>441</b>	301
Tax recoverable		–	1,867
Pledged bank deposits		<b>236</b>	254
Cash and bank balances		<b>79,474</b>	17,512
		<u><b>104,700</b></u>	<u>230,992</u>

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>18,072</b>	17,575
Amounts due to shareholders		<b>1,543</b>	52,681
Financial liabilities derivatives		<b>3,400</b>	–
Borrowings		–	40,000
Promissory notes		<b>42,672</b>	–
		<u><b>65,687</b></u>	<u>110,256</u>
<b>Net current assets</b>		<u><b>39,013</b></u>	<u>120,736</u>
<b>Total assets less current liabilities</b>		<u><b>1,488,511</b></u>	<u>2,321,283</u>
<b>Non-current liabilities</b>			
Non-convertible bonds		–	40,000
Convertible bonds		<b>424,494</b>	470,506
Promissory notes		<b>90,454</b>	192,891
Contingent consideration payables		–	93,103
Deferred tax liabilities		<b>216,262</b>	265,658
		<u><b>731,210</b></u>	<u>1,062,158</u>
<b>Net assets</b>		<u><b>757,301</b></u>	<u>1,259,125</u>
<b>Capital and reserves</b>			
Share capital		<b>1,210,498</b>	667,298
Reserves		<b>(453,197)</b>	591,827
<b>Total equity</b>		<u><b>757,301</b></u>	<u>1,259,125</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2015*

## 1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office of the Company is Unit F, 7/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is the same as functional currency of the Company and rounded to the nearest thousand (HK\$’000), unless otherwise stated.

The Company is an investment holding company and its subsidiaries are principally engaged in treasury investments and provision of loan financing and design and provision of energy saving solutions.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations (“**new HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are effective for the Company’s financial year beginning 1 January 2015. A summary of the new HKFRSs are set out as below:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above new HKFRSs has no material impact on the Group’s consolidated financial statements for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

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

HKFRS 9	Financial Instruments <sup>3</sup>
Amendments to HKFRS 9, HKFRS 7 HKAS 39	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

<sup>4</sup> No mandatory effective date yet determined but is available for adoption

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Companies Ordinance and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or Listing Rules but not under the new Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

#### ***Basis of preparation***

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 to the Hong Kong Registrar of Companies in due course.

The Company's auditors have reported on the consolidated financial statements of the Group for both years. The auditors' reports were unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **4. 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 organized 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
- design and provision of energy saving solutions



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

**Segment revenue and results**

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Unallocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>										
External sales	<u>940</u>	<u>10,402</u>	<u>-</u>	<u>-</u>	<u>15,836</u>	<u>6,021</u>	<u>-</u>	<u>-</u>	<u>16,776</u>	<u>16,423</u>
<b>Result</b>										
Segment results	<u>(1,162)</u>	<u>11,257</u>	<u>887</u>	<u>(21,560)</u>	<u>(752,122)</u>	<u>(47,353)</u>	<u>-</u>	<u>-</u>	<u>(752,397)</u>	<u>(57,656)</u>
Unallocated corporate expenses							(26,877)	(129,604)	(26,877)	(129,604)
Unallocated corporate income							-	839	-	839
Loss on disposal of subsidiaries							(80,531)	(58,983)	(80,531)	(58,983)
Impairment loss on available-for-sale financial assets							(9,777)	(259)	(9,777)	(259)
Fair value changes on financial liabilities derivatives							(2,574)	-	(2,574)	-
Fair value change on contingent consideration payables							93,103	52,856	93,103	52,856
Finance costs	-	-	(1,672)	-	(2,965)	(3,336)	(82,833)	(56,622)	(87,470)	(59,958)
Loss before taxation									(866,523)	(252,765)
Taxation									<u>51,095</u>	<u>9,394</u>
Loss for the year									<u>(815,428)</u>	<u>(243,371)</u>

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2014: Nil).

Segment results represent the profit/(loss) by each segment without allocation of centralized administration costs such as certain other income, directors' emoluments, staff salaries, operating lease payments and certain legal and professional fees. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

***Segment assets and liabilities***

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Consolidated	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Assets</b>								
Segment assets	811	205,168	12,934	24,354	1,525,929	2,197,997	1,539,674	2,427,519
Unallocated corporate assets							14,524	4,020
							<b>1,554,198</b>	<b>2,431,539</b>
<b>Liabilities</b>								
Segment liabilities	-	40,710	-	-	8,934	66,493	8,934	107,203
Unallocated corporate liabilities							787,963	1,065,211
							<b>796,897</b>	<b>1,172,414</b>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate financial assets;
- all liabilities are allocated to reportable segments other than corporate financial liabilities, deferred tax liabilities, convertible bonds, promissory notes, contingent consideration payables and financial liabilities derivatives.

## Other segment information

The following is an analysis of the Group's other segment information:

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Unallocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	940	10,402	-	-	-	-	-	-	940	10,402
Interest expenses classified in:										
– cost of operation	(2,102)	(4,035)	-	-	-	-	-	-	(2,102)	(4,035)
– finance costs	-	-	(1,672)	-	(2,965)	(3,336)	(82,833)	(56,622)	(87,470)	(59,958)
Reversal of impairment loss in respect of loan interest receivables	-	471	-	-	-	-	-	-	-	471
Reversal of impairment loss recognised in respect of loan receivables	-	5,680	-	-	-	-	-	-	-	5,680
Impairment loss on loan interest receivables	-	(1,250)	-	-	-	-	-	-	-	(1,250)
Loss on disposal of financial assets at fair value through profit or loss	-	-	(69)	(281)	-	-	-	-	(69)	(281)
Fair value changes on financial assets at fair value through profit or loss	-	-	955	(20,864)	-	-	-	-	955	(20,864)
Impairment loss on available-for-sale financial asset	-	-	-	-	-	-	(9,777)	(259)	(9,777)	(259)
Loss on disposal of subsidiaries	-	-	-	-	-	-	(80,531)	(58,983)	(80,531)	(58,983)
Fair value change on contingent consideration payables	-	-	-	-	-	-	93,103	52,856	93,103	52,856
Capital expenditure – others	-	-	-	-	(776)	(3,553)	(24)	(3,136)	(800)	(6,689)
Depreciation of property, plant and equipment	-	-	-	-	(1,600)	(633)	(499)	(949)	(2,099)	(1,582)
Amortisation of intangible assets	-	-	-	-	(54,484)	(29,512)	-	-	(54,484)	(29,512)
Impairment loss on goodwill	-	-	-	-	(666,660)	-	-	-	(666,660)	-
Fair value changes on financial liabilities derivatives	-	-	-	-	-	-	(2,574)	-	(2,574)	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,574)</b>	<b>-</b>	<b>(2,574)</b>	<b>-</b>

## Geographical information

The Group operates in two principal geographical areas – Hong Kong and the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The PRC	15,836	6,021	1,438,888	2,169,388
Hong Kong	940	10,402	521	31,159
Taiwan	—	—	10,089	—
	<u>16,776</u>	<u>16,423</u>	<u>1,449,498</u>	<u>2,200,547</u>

***Information about major customer***

Included in the Group's revenue of approximately HK\$16,776,000 (2014: HK\$16,423,000), the revenue of approximately HK\$13,061,000 (2014: HK\$2,264,000) which arose from four (2014: one) customers of the design and provision of energy saving solutions business which contributed 10% or more of the Group's revenue for the year.

Revenue from major customers, each of them contributing 10% or more of the Group's revenue, are set out below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A ( <i>Note</i> )	6,790	—
Customer B	—	2,264
Customer C ( <i>Note</i> )	1,746	—
Customer D ( <i>Note</i> )	2,344	—
Customer E ( <i>Note</i> )	<u>2,181</u>	<u>—</u>

*Note:* No information on revenue for the year ended 31 December 2014 is disclosed for these customers since none of them contributed 10% or more of the Group's revenue for the year ended 31 December 2014.

## 5. REVENUE

Revenue represents interest income from loan financing, treasury investments and design and provision of energy saving solutions.

An analysis of the Group's revenue by principal activities are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loan financing:		
Interest on mortgage loans	–	3,342
Interest on loan receivables	<u>940</u>	<u>7,060</u>
	<u>940</u>	<u>10,402</u>
Design and provision of energy saving solutions:		
Sale of goods	4,724	1,728
Sale of goods under finance lease	<u>11,112</u>	<u>4,293</u>
	<u>15,836</u>	<u>6,021</u>
	<u><u>16,776</u></u>	<u><u>16,423</u></u>

## 6. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Service income	–	839
Reversal of impairment loss in respect of loan interest receivables	–	471
Bank interest income	71	20
Interest income on finance lease receivables	2,297	1,744
Others	<u>89</u>	<u>153</u>
	<u><u>2,457</u></u>	<u><u>3,227</u></u>

## 7. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expense on borrowings	2,965	3,731
Interest expense on securities trading accounts	–	19
Imputed interest charged on promissory notes	20,789	19,301
Imputed interest charged on convertible bonds	63,716	36,907
	<u>87,470</u>	<u>59,958</u>

## 8. TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Current taxation – Hong Kong</b>		
Under provision in prior year	–	625
<b>Deferred taxation</b>		
Credit for the year	(51,095)	(10,019)
	<u>(51,095)</u>	<u>(9,394)</u>

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions which members of the Group are domiciled and operate.

### (i) *Hong Kong Profit Tax*

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

### (ii) *PRC Enterprise Income Tax*

The subsidiary of the Group established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25%. The Company's subsidiary in the PRC is qualified as an High Technology Enterprise from 1 January 2012 and enjoy PRC Enterprise Income Tax rate of 15%.

## 9. LOSS BEFORE TAXATION

The Group's loss for the year is arrived at after charging:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Staff costs (including Directors' remuneration)		
– Directors' fee	4,721	2,306
– Salaries, bonus and wages	17,526	15,079
– Contribution to retirement benefits schemes	2,468	1,768
	<u>24,715</u>	<u>19,153</u>
Amortisation of intangible assets	54,484	29,512
Depreciation of property, plant and equipment	2,099	1,582
Cost of inventories sold	12,239	4,600
Auditors' remuneration	850	1,000
Equity-settled share-based payments	471	–
Operating lease payments	6,830	3,818
Loss on disposal of property, plant and equipment	173	128
Legal and professional fees	4,881	14,080
Referral fee for acquisition of subsidiary	–	86,660
Impairment loss on finance lease receivables	6,955	–
Exchange loss	2,738	76
Impairment loss on goodwill	<u>666,660</u>	<u>–</u>

## 10. DIVIDEND

The Directors do not recommend payment of any dividend for the year ended 31 December 2015 (2014: Nil).

## 11. 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	<u>(815,428)</u>	<u>(243,371)</u>
	2015 <i>'000</i>	2014 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,558,275</u>	<u>822,496</u>

The denominators used are the same as those detailed above for basic and diluted loss per share.

*Note:* The computation of diluted loss per share for the year ended 31 December 2015 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect.

## 12. LOAN RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fixed-rate loan receivables	250	30,400
Variable-rate loan receivables	<u>–</u>	<u>200,712</u>
	250	231,112
<i>Less:</i> accumulated impairment allowance	<u>–</u>	<u>(29,032)</u>
	<u>250</u>	<u>202,080</u>



	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount analysed for reporting purposes:		
Current assets	<b>163</b>	171,829
Non-current assets	<b>87</b>	30,251
	<b>250</b>	202,080

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Repayable:		
Within 3 months	<b>39</b>	171,716
Over 3 months but less than 1 year	<b>124</b>	113
Over 1 year but less than 5 years	<b>87</b>	10,251
Over than 5 years	–	20,000
	<b>250</b>	202,080

### 13. TRADE AND BILLS RECEIVABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	<b>123</b>	1,124
Bills receivables	–	79
	<b>123</b>	1,203

The ageing analysis of trade receivables based on the invoice date is as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0-90 days	123	1,006
91-180 days	–	–
181-365 days	–	–
Over 365 days	–	118
	<u>123</u>	<u>1,124</u>

#### 14. TRADE AND OTHER PAYABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	2,010	2,416
Accrued service fee for acquisition of a subsidiary	3,871	3,871
Accrued expenses	5,116	7,258
Receipt in advance	4,020	447
Interest payables	2,200	2,285
Other payables	855	1,298
	<u>18,072</u>	<u>17,575</u>

The ageing analysis of trade payables based on the invoice date is as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0-90 days	1,132	1,585
91-180 days	154	214
181-365 days	37	–
Over 365 days	687	617
	<u>2,010</u>	<u>2,416</u>

Trade payables are interest-free and normally settled on delivery. The average credit period for purchase of goods is 90 days.

## 15. DISPOSAL OF A SUBSIDIARY

On 10 June 2015, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Revelry Gains Limited (“**Revelry Gains**”) to an independent third party for cash consideration of HK\$1,000,000 (the “**Disposal**”). The Disposal was completed on 11 June 2015. Summary of the effects of the Disposal is as follows:

	<i>HK\$'000</i>
<b>Net assets disposed of:</b>	
Prepayments, deposits and other receivables	1,405
Loan receivables	201,680
Promissory notes	<u>(121,554)</u>
Net assets disposed of	<u><u>81,531</u></u>

### *Loss on disposal of a subsidiary*

	<i>HK\$'000</i>
Consideration received	1,000
Net assets disposal of	<u>(81,531)</u>
Loss on disposal	<u><u>(80,531)</u></u>

Before considering the fair value effect of the promissory notes, the disposed aggregate principal amounts of promissory notes were approximately HK\$203,108,000 which formed part of the liabilities of Revelry Gains. After taking up the fair value effect, the carrying amounts of the disposed promissory notes were approximately HK\$121,554,000, and therefore, the Group recorded a loss of approximately HK\$80,531,000 as a result of the Disposal. Such loss had no material cash flow effect to the Company during the year ended 31 December 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Hong Kong Building and Loan Agency Limited (the “**Company**”), together with its subsidiaries (collectively, the “**Group**”), are principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions.

During the year ended 31 December 2015, the Group recorded a revenue of approximately HK\$16,776,000, representing an increase of approximately 2.1% as compared with HK\$16,423,000 for the last year. A loss for the year attributable to the owners of the Company of approximately HK\$815,428,000 (2014: loss of approximately HK\$243,371,000) was recorded, which is mainly attributable to (1) an impairment of goodwill of approximately HK\$666,660,000, (2) an one-off loss of approximately HK\$80,531,000 on disposal of a subsidiary, and (3) finance costs of approximately HK\$82,833,000 due to interest amortisation of convertible bonds and promissory notes issued for the acquisition of Weldtech Technology Co. Limited and its subsidiary, Haoxin Technology (Shanghai) Company Limited (濠信節能科技(上海)有限公司) (collectively, the “**Weldtech Group**”) (the “**Acquisition**”) in 2014.

Of the total revenue, approximately HK\$940,000 (2014: approximately HK\$10,402,000) was generated from the Group’s loan financing business which contributed a segment loss of approximately HK\$1,162,000 (2014: profit of approximately HK\$11,257,000). The loss was mainly attributable to the decrease in interest on loan receivables due to the disposal of loan receivables through disposal of a subsidiary in 2015.

With respect to the segment of treasury investments, a segment profit of approximately HK\$887,000 was recorded for the year ended 31 December 2015, as compared to the segment loss of approximately HK\$21,560,000 in last year. The profit recorded for the treasury investments is mainly attributable to the increase in the share prices of the equity securities held for investments.

With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK\$752,122,000 was recorded for the year ended 31 December 2015 (2014: approximately HK\$47,353,000). The segment loss was mainly attributable to the impairment of goodwill of approximately HK\$666,660,000. The audited consolidated loss before tax and net loss of the Weldtech Group were HK\$32,887,000 for the year ended 31 December 2015. The audited consolidated loss before tax and net loss of the Weldtech Group for the year ended 31 December 2014 were \$34,164,000, and the consolidated loss before tax and net loss of the Weldtech Group for the period from the date of completion of Acquisition to 31 December 2014 were HK\$21,177,000. With reference the Company's circular dated 11 April 2014 and pursuant to the sale and purchase agreement for the Acquisition, the vendors of the Weldtech Group have irrevocably warranted and undertaken to the Company that the audited consolidated profit before tax of the Weldtech Group for the year ending 31 December 2015 shall not be less than HK\$160,000,000 (the "**2015 Profit Guarantee**"). Accordingly, the Weldtech Group failed to meet the 2015 Profit Guarantee and all of the Promissory Notes C (as defined in the Company's circular dated 11 April 2014) in the aggregate principal amount of HK\$320,000,000 have become null and void. The Weldtech Group's loss is primarily due to the intensified competition for small and medium-sized projects with other energy saving service providers cutting prices to un-sustainable levels and the less-than-expected funding for the Weldtech Group.

### **Total Assets and Foreign Exchange Exposure**

As at 31 December 2015, the total assets decreased to approximately HK\$1,554,198,000 (2014: approximately HK\$2,431,539,000). The decrease was mainly attributable to the impairment of goodwill of approximately HK\$666,660,000 and disposal of loan receivables of approximately HK\$201,680,000 through disposal of a subsidiary. The Group's assets were mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As the Hong Kong Dollar is pegged to the United States Dollar, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the depreciation of Renminbi. The Group has not entered into any significant foreign exchange contract. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2015, the Group held financial assets at fair value through profit or loss amounting to approximately HK\$12,934,000 (2014: approximately HK\$24,354,000). The decrease was mainly attributable to the disposal of a substantial amount of held-for-trading investments in equity securities during the year ended 31 December 2015. The financial assets at fair value through profit or loss represent held-for-trading investments in equity securities listed in Hong Kong.

As at 31 December 2015, the Group held intangible assets amounting to approximately HK\$805,905,000 (2014: approximately HK\$860,389,000). The intangible assets represent 7 patents related to the “Ultra Performance Plant Control System” (“**UPPC System**”) used by the energy saving solutions business.

As at 31 December 2015, the Group held finance lease receivables and loan receivables amounting to approximately HK\$24,446,000 (2014: approximately HK\$27,740,000) and approximately HK\$250,000 (2014: approximately HK\$202,080,000), respectively.

### **Liquidity and Financial Resources**

As at 31 December 2015, the Group’s cash and bank balances amounted to approximately HK\$79,474,000 (2014: approximately HK\$17,512,000), and it had outstanding convertible bonds of approximately HK\$424,494,000 (2014: approximately HK\$470,506,000) and promissory notes of approximately HK\$133,126,000 (2014: approximately 192,891,000). The net assets and the net current assets of the Group amounted to approximately HK\$757,301,000 (2014: approximately HK\$1,259,125,000) and approximately HK\$39,013,000 (2014: approximately HK\$120,736,000), respectively.

The gearing ratio of the Group as at 31 December 2015, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 0.39 (2014: 0.38).

### **Capital Structure**

As at 31 December 2015, the Company’s number of issued ordinary shares was 1,922,086,816 (“**Share(s)**”) (as at 31 December 2014: 1,025,749,466 Shares).

During the year ended 31 December 2015, 15,660,000 new Shares were issued upon the conversion of HK\$1,566,000 convertible bonds in the principal amount of HK\$156,600 each with the conversion price of HK\$0.10 per share (as adjusted on 17 February 2014) (“**CB I**”). All outstanding CB I were fully converted during the year ended 31 December 2015.

During the year ended 31 December 2015, 31,000,000 new Shares were issued upon the conversion of HK\$41,850,000 convertible bonds in the principal amount of HK\$1,350,000 each with the conversion price of HK\$0.135 per share (“**CB II**”). All outstanding CB II were fully converted during the year ended 31 December 2015.

As at 31 December 2015, the Company had HK\$305,545,700 convertible bond A (the “**CB A**”) outstanding which could be converted into 381,932,124 Shares at the conversion price of HK\$0.80 per share. During the year ended 31 December 2015, 161,792,888 new Shares were issued upon the conversion of CB A.

As at 31 December 2015, the Company had HK\$639,612,430 convertible bond B (the “**CB B**”) outstanding which could be converted into 799,515,538 Shares at the conversion price of HK\$0.80 per share. During the year ended 31 December 2015, 234,884,462 new Shares were issued upon the conversion of CB B.

As at 31 December 2015, the Company had HK\$60,000,000 convertible bonds outstanding which could be converted into 67,415,730 Shares at the conversion price of HK\$0.89 per share. During the year ended 31 December 2015, no new Shares were issued from the conversion of such convertible bonds.

### **Charge on Group Assets and Contingent Liabilities**

As at 31 December 2015, the Group pledged the bank deposits of approximately HK\$236,000 (2014: approximately HK\$254,000) as the security deposit for the warranty fund of sale of goods.

As at 31 December 2015, the Group did not have material contingent liabilities (2014: nil).

### **Capital Commitment**

As at 31 December 2015, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK\$5,213,000 (2014: approximately HK\$4,338,000).

## **Disposal of a subsidiary**

On 10 June 2015, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Revelry Gains Limited (“**Revelry Gains**”) to an independent third party for a total cash consideration of HK\$1,000,000 (the “**Disposal**”). Before considering the fair value effect of the promissory notes, the disposed aggregate principal amounts of promissory notes were approximately HK\$203,108,000 which formed part of the liabilities of Revelry Gains. After taking up the fair value effect, the carrying amounts of disposed promissory notes were approximately HK\$121,554,000, and therefore, the Group recorded a loss of approximately HK\$80,531,000 as a result of the Disposal. Such loss had no material cash flow effect to the Company during the year ended 31 December 2015. The Disposal was completed on 11 June 2015.

For further details, please refer to the announcement of the Company dated 10 June 2015.

## **Material Investments**

### ***Purchase of equity interest in Infodisc***

On 30 June 2015, the Company entered into a non-legally binding memorandum of understanding with certain shareholders (the “**Target Shareholders**”) of Infodisc Technology Co., Ltd. (“**Infodisc**”), a company established in Taiwan with limited liability whose shares are listed on the Taiwan Stock Exchange Corporation, in relation to a possible purchase of certain equity interest in Infodisc (the “**Taiwan MOU**”). Pursuant to the Taiwan MOU, the Company intended to purchase, and the Target Shareholders intended to assist the Company to purchase, certain equity interest in Infodisc.

On 10 August 2015, the Company, as the purchaser, entered into a share purchase agreement with Ms. Chen Bi Chu, a shareholder of Infodisc, as the vendor (the “**Taiwan Vendor**”), pursuant to which the Taiwan Vendor has agreed to sell and the Company has agreed to purchase 6,100,000 shares of Infodisc which represent approximately 9.45% of the entire issued equity interest in Infodisc (the “**Infodisc Share(s)**”) at the consideration of TWD82,200,000 (equivalent to approximately HK\$19,867,000) to be settled in cash.



Infodisc is engaged in the trading business and its customers are located in Taiwan, South-East Asia and Japan. Moreover, it is engaged in the provision of LED lighting solutions. The LED business is undergoing the expansion stage and Infodisc has completed the development of LED products and begun production. The Company's operations are focused in the PRC and Hong Kong. The Company has identified Infodisc as an ideal platform to expand the Group's presence to Taiwan. The purchase of Infodisc Shares opens up a new geographical market for the Group's business, particularly the provision of energy saving solutions. Moreover, the purchase expands the product spectrum of the Group and the Group may leverage on Infodisc's LED capability to develop the PRC market.

On 14 August 2015, the Company completed the purchase of 6,100,000 of Infodisc Shares, representing approximately 8.66% of Infodisc's equity as at the date of this announcement.

For further details, please refer to the announcements of the Company dated 30 June 2015, 10 August 2015 and 14 August 2015.

## **Fund Raising Activities**

### ***CB Placing 2015, Top-up Placing and Top-up Subscription***

On 2 June 2015, the Company and Convoy Investment Services Limited entered into a placing agreement pursuant to which Convoy conditionally agreed to place, on a best-effort basis, the convertible bonds in the principal amount of up to HK\$60,000,000 (the "**CB 2015**") to not less than six places and the Company conditionally agreed to issue the CB 2015 (the "**CB Placing 2015**").

The CB 2015 in the aggregated principal amount of HK\$60,000,000 were successfully placed by Convoy to not less than six places who and whose respective ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The maturity date of CB 2015 is 14 June 2017, which is the second anniversary of the issue date of the CB 2015. The CB 2015 bear interest at the rate of 6% per annum on the outstanding principal amount thereof.

Based on the initial conversion price of HK\$0.89 per conversion share, a maximum of 67,415,730 new Shares will be allotted and issued upon exercise of the CB 2015.

In addition, on 2 June 2015, the Company entered into a placing and subscription agreement with CIAM and Convoy pursuant to which (i) CIAM agreed to place, through Convoy, on a best-effort basis, an aggregate of up to 100,000,000 Shares held by CIAM (the “**Top-up Placing Share(s)**”), at the placing price of HK\$0.89 per Top-up Placing Share (the “**Top-up Placing**”); and (ii) CIAM agreed to subscribe for up to 100,000,000 Shares (the “**Top-up Subscription Share(s)**”) at the subscription price of HK\$0.89 per Top-up Subscription Share (the “**Top-up Subscription**”).

The completion of the Top-up Placing took place on 5 June 2015 and an aggregate of 100,000,000 Top-up Placing Shares were successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules) at the placing price of HK\$0.89 per Top-up Placing Share. The Top-up Subscription took place on 15 June 2015 and an aggregate of 100,000,000 Top-up Subscription Shares were allotted and issued to CIAM at the subscription price of HK\$0.89 per Top-up Subscription Share.

The gross proceeds from CB Placing 2015 and Top-up Placing were approximately HK\$149,000,000 and the net proceeds after deducting all relevant expenses were approximately HK\$143,000,000. The net proceeds were used (i) as to approximately HK\$19,867,000 for the acquisition of Infodisc Shares and (ii) as to approximately HK\$123,133,000 for the repayment of outstanding indebtedness.

For further details, please refer to the announcements of the Company dated 3 June 2015 and 15 June 2015.

### ***Placing I***

On 21 July 2015, the Company entered into a placing agreement with RHB OSK Securities Hong Kong Limited (“**RHB**”) pursuant to which the Company agreed to place through RHB an aggregate of up to 50,000,000 new Shares at the placing price of HK\$0.89 per placing share (the “**Placing I**”).

Completion of the Placing I took place on 30 July 2015 and a total of 50,000,000 new Shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The gross proceeds from Placing I were approximately HK\$44,500,000 and the net proceeds after deducting all relevant expenses were approximately HK\$42,900,000. The net proceeds were used (i) as to approximately HK\$17,903,000 for repayment of outstanding indebtedness and (ii) as to approximately HK\$24,997,000 for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 21 July 2015 and 30 July 2015.

### ***Placing II***

On 10 August 2015, the Company entered into a placing agreement with RHB pursuant to which the Company agreed to place through RHB, on a best-effort basis, an aggregate of up to 24,000,000 new Shares, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules), at the placing price of HK\$0.89 per placing share (the “**Placing II**”).

Completion of the Placing II took place on 27 August 2015 and a total of 24,000,000 new Shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The gross proceeds and the net proceeds from the Placing II were approximately HK\$21,360,000 and approximately HK\$20,550,000, respectively. The net proceeds have been reserved for general working capital of the Group and will be used to fund future investment when suitable opportunities arise.

For further details, please refer to the announcements of the Company dated 10 August 2015 and 27 August 2015.

### **Staff and Remuneration**

The Group had 39 (2014: 77) employees as at 31 December 2015 and total staff costs during the year ended 31 December 2015 amounted to approximately HK\$24,715,000 (2014: approximately HK\$19,153,000). 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.

## **Outlook and Prospect**

While the Weldtech Group failed to meet the 2015 Profit Guarantee, the management is of the view that the Weldtech Group's loss is primarily due to (i) the intensified competition for small and medium-sized projects with energy saving service providers cutting prices to un-sustainable levels and (ii) the less-than-expected funding for the Weldtech Group. The energy saving industry is identified as one of the key industries and is backed by the PRC government. The PRC government will continue to commit to reduce per unit of GDP in carbon dioxide emissions and aim to cut energy intensity by 18% over the next five years according to its 2016 government work report. With the continuous support of the PRC government in the area of energy saving and environment protection and taking full advantage of the government's favorable policies, the management is optimistic about the industry in which the Weldtech Group operates and the future of the UPPC System. Besides, the management of the Group still holds the view that the existing market share is relatively fragmented and the market share for the Weldtech Group has significant growth potential due to a lack of dominant players in the fragmented market. It is expected that the increasing awareness of the energy saving and social responsibility will continue to provide ample opportunities for the UPPC System retrofit in the years to come.

To enhance project returns and to avoid getting into price wars, the Weldtech Group has begun to focus on larger-sized projects and seek to work with partners with stronger financial resources which are more willing to spend on energy saving assets to promote their environment-friendly image. The new focus has shown positive initial results with the entering of new project with a PRC conglomerate. Nevertheless, the Group considers that funding remains critical to the future business development of the Weldtech Group and it has from time to time been exploring possible sources of funding including bank loan or other borrowings and/or other fund raising exercises. Having said that, the Group believes the new direction is an appropriate response to the changing market conditions and is hopeful that it will bear fruit in the future.

## **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 ended 31 December 2015.

## **CORPORATE GOVERNANCE CODE**

Throughout the year ended 31 December 2015, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules of 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 (“**CE**”) should be separate and should not be performed by the same individual. The Company did not appoint any chairman or CE during the year ended 31 December 2015. The functions of the chairman and CE 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 2015.

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 were absent from the last annual general meeting of the Company held on 26 June 2015 due to their other important engagements at the relevant time.

## **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 ended 31 December 2015.

## **AUDIT COMMITTEE REVIEW**

The audit committee of the Company (the “**Audit Committee**”) consists of two independent non-executive Directors, namely Ms. Yuen Wai Man (the chairman of the Audit Committee) and Mr. Yeung Wai Hung, Peter, and one non-executive Director, namely 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 and risk management systems, and to review significant financial reporting judgments contained in its reports and to provide advice and comments thereon to the Board.

The audited final results for the year ended 31 December 2015 of the Company have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2015. The work performed by HLB Hodgson Impey Cheng 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 HLB Hodgson Impey Cheng Limited on the preliminary announcement.

By order of the Board

**The Hong Kong Building and Loan Agency Limited**

**Chong Kok Leong**

*Executive Director*

Hong Kong, 31 March 2016

*As at the date of this announcement, the Board comprises Mr. So Yuen Chun, Dr. Li Ai Guo, Mr. Chong Kok Leong and Ms. Khoo Pui Wun being executive Directors; Mr. Lam Kwok Hing, Wilfred and Mr. Huang Lizhi being non-executive Directors; Mr. Yeung Wai Hung, Peter, Ms. Yuen Wai Man and Mrs. Chu Ho Miu Hing being independent non-executive Directors.*