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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 2016

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 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*5*	**22,080**	16,776
Cost of operations		**(14,703)**	(14,341)
Gross profit		**7,377**	2,435
Other income	*6*	**2,393**	2,457
Other gains and losses	*7*	**(201)**	(2,574)
Fair value change on contingent consideration payables		**–**	93,103
Net (loss)/gain on financial assets at fair value through profit or loss	*10*	**(2,181)**	886
Gain/(loss) on disposal of subsidiaries	*16*	**43,019**	(80,531)

	Notes	2016 HK$'000	2015 HK$'000
Impairment loss on goodwill		**(110,381)**	(666,660)
Impairment loss on available-for-sale financial assets		**–**	(9,777)
Selling expenses		**(1,457)**	(6,380)
Administrative and operating expenses		**(77,609)**	(112,012)
Loss from operations		**(139,040)**	(779,053)
Finance costs	*8*	**(81,940)**	(87,470)
Loss before taxation	*10*	**(220,980)**	(866,523)
Taxation	*9*	**19,052**	51,095
Loss for the year		**(201,928)**	(815,428)
Other comprehensive income/(loss) for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of available-for-sale financial assets		**958**	–
Exchange differences on translating foreign operations		**(2,164)**	(358)
Other comprehensive loss for the year, net of tax		**(1,206)**	(358)
Total comprehensive loss for the year, net of tax		**(203,134)**	(815,786)
Loss for the year attributable to owners of the Company		**(201,928)**	(815,428)
Total comprehensive loss attributable to owners of the Company		**(203,134)**	(815,786)
		HK cents	*HK cents*
Loss per share			
Basic and diluted	*12*	**(10.51)**	(52.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Intangible assets		**751,421**	805,905
Property, plant and equipment		**1,143**	1,910
Construction in progress		**2,201**	6,630
Goodwill	*13*	**498,579**	608,960
Loan receivables		**–**	87
Available-for-sale financial assets		**11,047**	10,089
Finance lease receivables		**14,291**	15,917
		1,278,682	1,449,498
Current assets			
Loan receivables		**–**	163
Financial assets at fair value through profit or loss		**–**	12,934
Inventories		**648**	813
Trade and bills receivables	*14*	**2,271**	123
Prepayments, deposits and other receivables		**1,234**	1,987
Finance lease receivables		**8,997**	8,529
Amounts due from customers under construction contracts		**693**	441
Pledged bank deposits		**–**	236
Cash and bank balances		**34,360**	79,474
		48,203	104,700

	Notes	2016 *HK$'000*	2015 *HK$'000*
Current liabilities			
Trade and other payables	*15*	**11,447**	18,072
Amounts due to shareholders		**1,790**	1,543
Convertible bonds		**30,883**	–
Financial liabilities derivatives		**419**	3,400
Promissory notes		**–**	42,672
		44,539	65,687
Net current assets		**3,664**	39,013
Total assets less current liabilities		**1,282,346**	1,488,511
Non-current liabilities			
Convertible bonds		**435,173**	424,494
Promissory notes		**95,660**	90,454
Deferred tax liabilities		**197,210**	216,262
		728,043	731,210
Net assets		**554,303**	757,301
Capital and reserves			
Share capital		**1,210,498**	1,210,498
Reserves		**(656,195)**	(453,197)
Total equity		**554,303**	757,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. CORPORATE INFORMATION

The Hong Kong Building and Loan Agency Limited (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 and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2016.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS (Amendments)	Annual Improvements to HKFRS, 2014-2016 Cycle[5]
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transaction[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

[4] Effective for annual periods beginning on or after a date to be determined.

[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The Group is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. The Group considers that these new and revised HKFRS are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and the Hong Kong Companies Ordinance.

These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

The financial information relating to the Company for the years ended 31 December 2015 and 2016 included in this final result announcement is derived from but does not constitute the Company's statutory annual consolidated financial statements for these two years.

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies of Hong Kong 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 2016 to the Registrar of Companies of Hong Kong within the prescribed time limit.

The Company's auditor has reported on the financial statements of the Group for both the years ended 31 December 2015 and 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor 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.

Basis of preparation

The consolidated financial statements have been prepared on the 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 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 a 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 realizable 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 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

- 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover										
External sales	**4**	940	**–**	–	**22,076**	15,836	**–**	–	**22,080**	16,776
Result										
Segment results	**4**	(1,162)	**(2,181)**	887	**(166,767)**	(752,122)	**–**	–	**(168,944)**	(752,397)
Unallocated corporate expenses							**(12,914)**	(26,877)	**(12,914)**	(26,877)
Gain/(loss) on disposal of subsidiaries							**43,019**	(80,531)	**43,019**	(80,531)
Impairment loss on available-for-sale financial assets							**–**	(9,777)	**–**	(9,777)
Other gains and losses							**(201)**	(2,574)	**(201)**	(2,574)
Fair value change on contingent consideration payables							**–**	93,103	**–**	93,103
Finance costs	**–**	–	**(795)**	(1,672)	**–**	(2,965)	**(81,145)**	(82,833)	**(81,940)**	(87,470)
Loss before taxation									**(220,980)**	(866,523)
Taxation									**19,052**	51,095
Loss for the year									**(201,928)**	(815,428)

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2015: 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets								
Segment assets	**–**	811	**–**	12,934	**1,313,283**	1,525,929	**1,313,283**	1,539,674
Unallocated corporate assets							**13,602**	14,524
							1,326,885	1,554,198
Liabilities								
Segment liabilities	**–**	–	**–**	–	**6,466**	8,934	**6,466**	8,934
Unallocated corporate liabilities							**766,116**	787,963
							772,582	796,897

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

- all assets are allocated to reportable segments other than corporate financial assets. Goodwill and intangible assets are allocated to design and provision of energy saving solutions.
- all liabilities are allocated to reportable segments other than corporate financial liabilities, deferred tax liabilities, convertible bonds, promissory notes, 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income on loan receivables	**4**	940	**–**	–	**–**	–	**–**	–	**4**	940
Interest expenses classified in:										
– cost of operation	**–**	(2,102)	**–**	–	**–**	–	**–**	–	**–**	(2,102)
– finance costs	**–**	–	**(795)**	(1,672)	**–**	(2,965)	**(81,145)**	(82,833)	**(81,940)**	(87,470)
Net (loss)/gain on financial assets at fair value through profit or loss	**–**	–	**(2,181)**	886	**–**	–	**–**	–	**(2,181)**	886
Impairment loss on available-for-sale financial assets	**–**	–	**–**	–	**–**	–	**–**	(9,777)	**–**	(9,777)
Gain/(loss) on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**43,019**	(80,531)	**43,019**	(80,531)
Fair value change on contingent consideration payable	**–**	–	**–**	–	**–**	–	**–**	93,103	**–**	93,103
Capital expenditure – others	**–**	–	**–**	–	**(77)**	(776)	**–**	(24)	**(77)**	(800)
Depreciation of property, plant and equipment	**–**	–	**–**	–	**(394)**	(1,600)	**(320)**	(499)	**(714)**	(2,099)
Amortisation of intangible assets	**–**	–	**–**	–	**(54,484)**	(54,484)	**–**	–	**(54,484)**	(54,484)
Impairment loss on goodwill	**–**	–	**–**	–	**(110,381)**	(666,660)	**–**	–	**(110,381)**	(666,660)
Fair value changes on financial liabilities derivatives	**–**	–	**–**	–	**–**	–	**1,451**	(2,574)	**1,451**	(2,574)
Loss on early redemption of convertible bonds	**–**	–	**–**	–	**–**	–	**(1,652)**	–	**(1,652)**	–

Geographical information

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

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	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**22,076**	15,836	**1,267,541**	1,438,888
Hong Kong	**4**	940	**94**	521
Taiwan	**–**	–	**11,047**	10,089
	22,080	16,776	**1,278,682**	1,449,498

Information about major customer

Included in the Group's revenue of approximately HK$22,080,000 (2015: HK$16,776,000), the aggregate revenue of approximately HK$15,437,000 (2015: HK$13,061,000) which arose from two (2015: four) customers of the design and provision of energy saving solutions business which contributed 10% or more to the Group's revenue for the year.

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

	2016	2015
	HK$'000	*HK$'000*
Customer A	**–**	6,790
Customer B	**–**	1,746
Customer C	**–**	2,344
Customer D	**–**	2,181
Customer E *(Note)*	**10,264**	–
Customer F *(Note)*	**5,173**	–

Note: No information on revenue for the year ended 31 December 2015 is disclosed for these customers since none of them contributed 10% or more than to the Group's revenue for the year ended 31 December 2015.

5. REVENUE

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

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

	2016	2015
	HK$'000	*HK$'000*
Loan financing:		
Interest on loan receivables	**4**	940
Design and provision of energy saving solutions:		
Sale of goods	**15,570**	4,724
Sale of goods under finance lease	**6,368**	11,112
Repair and maintenance service fee income	**138**	–
	22,076	15,836
	22,080	16,776

6. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**77**	71
Interest income on finance lease receivables	**2,304**	2,297
Others	**12**	89
	2,393	2,457

7. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Fair value changes on financial liabilities derivatives	**1,451**	(2,574)
Loss on early redemption of convertible bonds	**(1,652)**	–
	(201)	(2,574)

8. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expense on borrowings	**–**	2,965
Imputed interest charged on promissory notes	**13,743**	20,789
Imputed interest charged on convertible bonds	**68,197**	63,716
	81,940	87,470

9. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Deferred taxation		
Credit for the year	**(19,052)**	(51,095)

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 operated.

(i) Hong Kong Profit Tax

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision of profit tax as no assessable profit for the 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%.

10. LOSS BEFORE TAXATION

The Group's loss for the year is arrived at after charging/(crediting):

	2016	2015
	HK$'000	*HK$'000*
Staff costs (including Directors' remuneration)		
– Directors' fee	**2,883**	4,721
– Salaries, bonus and wages	**8,661**	17,526
– Contribution to retirement benefits schemes	**1,692**	2,468
	13,236	24,715
Amortisation of intangible assets	**54,484**	54,484
Depreciation of property, plant and equipment	**714**	2,099
Cost of inventories sold	**14,703**	12,239
Auditors' remuneration	**850**	850
Equity-settled share based payments	**136**	471
Operating lease payments	**2,501**	6,830
Loss on disposal of property, plant and equipment	**37**	173
Impairment loss on finance lease receivables	**–**	6,955
Exchange loss	**2**	2,738
Impairment loss on goodwill	**110,381**	666,660
Net (loss)/gain on financial assets at fair value through profit or loss:		
Net unrealised (loss)/gain on financial assets at fair value through profit or loss	**(2,036)**	955
Net realised loss on financial assets at fair value through profit or loss	**(145)**	(69)
	(2,181)	886

11. DIVIDEND

The Directors do not recommend payment of any dividend for the year ended 31 December 2016 (2015: Nil).

12. 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:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(201,928)**	(815,428)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,922,086**	1,558,275

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 2016 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect.

13. GOODWILL

	HK$'000
Cost	
At 1 January 2015, 31 December 2015, 1 January 2016, and 31 December 2016	1,275,620
Accumulated impairment	
As at 1 January 2015	–
Impairment for the year	666,660
At 31 December 2015 and 1 January 2016	666,660
Impairment for the year	110,381
At 31 December 2016	777,041
Carrying amounts	
As at 31 December 2016	**498,579**
As at 31 December 2015	608,960

Note:

Goodwill has been allocated for following cash generating units ("CGU"):

– Design and provision of energy saving solutions

At the end of the reporting period, the Group assessed the recoverable amount of cash generating unit to which the goodwill is allocated by appointing an independent professional valuer.

14. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**1,784**	123
Bills receivables	**487**	–
	2,271	123

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

	2016	2015
	HK$'000	*HK$'000*
0-90 days	**1,784**	123

15. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**1,219**	2,010
Accrued service fee for acquisition of a subsidiary	**3,871**	3,871
Accrued expenses	**2,562**	5,116
Receipt in advance	**1,738**	4,020
Interest payables	**1,080**	2,200
Other payables	**977**	855
	11,447	18,072

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

	2016	2015
	HK$'000	*HK$'000*
0-90 days	**585**	1,132
91-180 days	**17**	154
181-365 days	**71**	37
Over 365 days	**546**	687
	1,219	2,010

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

16. DISPOSAL OF SUBSIDIARIES

(a) On 4 March 2016, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in The Building and Loan Agency (Asia) Limited which has an equity interests in Assets Talent Limited and Monarch Orchid Limited to an independent third party for cash consideration of HK$1,200,000. The disposal was completed on 4 March 2016. Summary of the effects of the disposal is as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	20
Financial assets at fair value through profit or loss	9,934
Prepayments, deposits and other receivables	371
Cash and bank balances	123
Loan receivables	224
Accrual and other payables	(1,376)
Promissory notes	(51,209)
Net liabilities disposed of	(41,913)

Gain on disposal of subsidiaries

	HK$'000
Consideration received	1,200
Net liabilities disposal of	41,913
Gain on disposal	43,113

Net cash inflow from disposal of subsidiaries

	HK$'000
Consideration received in cash and cash equivalents	1,200
Less: cash and cash equivalent balances disposed of	(123)
Net cash inflow from disposal of subsidiaries	1,077

(b) On 15 April 2016, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Alpha Gain Limited to an independent third party for cash consideration of HK$188,000. The disposal was completed on 17 May 2016. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	
Prepayments, deposits and other receivables	230
Cash and bank balances	10
Accrual and other payables	(3)
Net assets disposed of	237

Loss on disposal of subsidiary

	HK$'000
Consideration received	188
Net assets disposal of	(237)
Loss on disposal	(49)

Net cash inflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	188
Less: cash and cash equivalent balances disposed of	(10)
Net cash inflow from disposal of subsidiary	178

(c) On 15 April 2016, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Diamond Team Limited to an independent third party for cash consideration of HK$1,000. The disposal was completed on 17 May 2016. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	–

Loss on disposal of subsidiary

	HK$'000
Consideration received	1
Net assets disposal of	–
Gain on disposal	1

Net cash inflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	1
Less: cash and cash equivalent balances disposed of	–
Net cash inflow from disposal of subsidiary	1

(d) On 15 April 2016, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in United Warrior Limited to an independent third party for cash consideration of HK$1,000. The disposal was completed on 17 May 2016. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	
Prepayments, deposits and other receivables	47
Net assets disposed of	47

Loss on disposal of subsidiary

	HK$'000
Consideration received	1
Net assets disposal of	(47)
Loss on disposal	(46)

Net cash inflow from disposal of subsidiary

	HK$'000
Consideration received in cash and cash equivalents	1
Less: cash and cash equivalent balances disposed of	–
Net cash inflow from disposal of subsidiary	1

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 2016, the Group recorded a revenue of approximately HK$22,080,000, representing an increase of approximately 31.6% as compared with HK$16,776,000 for the last year. A loss for the year attributable to the owners of the Company of approximately HK$201,928,000 (2015: loss of approximately HK$815,428,000) was recorded, which is mainly attributable to (i) an impairment of goodwill of approximately HK$110,381,000 (2015: HK$666,660,000); (ii) the amortization of the intangible assets of the Company of approximately HK$54,484,000 (2015: HK$54,484,000); and (iii) finance costs of approximately HK$81,940,000 (2015: HK$87,470,000) due to interest amortisation of convertible bonds and promissory notes. The loss for the year attributable to the owners of the Company was partly offset by an one-off gain of approximately HK$43,019,000 on disposal of subsidiaries (2015: loss of approximately HK$80,531,000 on disposal of a subsidiary).

With respect to the segment of design and provision of energy saving solutions ("**Energy Saving Business**"), a segment loss of approximately HK$166,767,000 was recorded for the year ended 31 December 2016 (2015: approximately HK$752,122,000). The segment loss was mainly attributable to the impairment of goodwill of approximately HK$110,381,000 (2015: HK$666,660,000). The impairment of goodwill represents the impairment of goodwill arising from 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. The Company engaged an independent qualified valuer to assess the value in use of Weldtech Group as at 31 December 2016 and produced the valuation report, which was used to determine the fore-mentioned impairment amount, after taking into account (i) the economic development of the PRC; (ii) the development of energy saving industry; and (iii) the expected business flow and development plan of the Energy Saving Business during the valuation process.

Of the total revenue, approximately HK$4,000 (2015: approximately HK$940,000) was generated from the Group's loan financing business which contributed a segment gain of approximately HK$4,000 (2015: loss of approximately HK$1,162,000). The decrease in revenue from loan financing segment was due to the disposal of subsidiaries during the year. Due to the volatile market conditions in 2016, the Group was unable to identify new loan projects commanding the target risk and return profile to replenish the loan portfolio of the Group during the year.

With respect to the segment of treasury investments, a segment loss of approximately HK$2,181,000 was recorded for the year ended 31 December 2016, as compared to the segment profit of approximately HK$887,000 in last year. The loss recorded for the treasury investments is mainly attributable to the decrease in the share prices of the equity securities held for investments.

Total Assets and Foreign Exchange Exposure

As at 31 December 2016, the total assets decreased to approximately HK$1,326,885,000 (2015: approximately HK$1,554,198,000). The decrease was mainly attributable to the impairment of goodwill of approximately HK$110,381,000 (2015: HK$666,660,000) and the disposal of subsidiaries during the year. 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. The financial assets at fair value through profit or loss represent held-for-trading investments in equity securities listed in Hong Kong. During the year ended 31 December 2016, the financial assets at fair value through profit or loss was disposed of through disposal of a subsidiary.

As at 31 December 2016, the Group held intangible assets amounting to approximately HK$751,421,000 (2015: approximately HK$805,905,000). 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 2016, the Group held finance lease receivables amounting to approximately HK$23,288,000 (2015: approximately HK$24,446,000).

Liquidity and Financial Resources

As at 31 December 2016, the Group's cash and bank balances amounted to approximately HK$34,360,000 (2015: approximately HK$79,474,000), and it had outstanding convertible bonds of approximately HK$466,056,000 (2015: approximately HK$424,494,000) and promissory notes of approximately HK$95,660,000 (2015: approximately HK$133,126,000). The net assets and the net current assets of the Group amounted to approximately HK$554,303,000 (2015: approximately HK$757,301,000) and approximately HK$3,664,000 (2015: approximately HK$39,013,000), respectively.

The gearing ratio of the Group as at 31 December 2016, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 0.49 (2015: 0.39).

Capital Structure

As at 31 December 2016, the Company's number of issued ordinary shares was 1,922,086,816 ("**Share(s)**") (2015: 1,922,086,816 Shares).

As at 31 December 2016, 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 2016, no new Shares were issued from the conversion of CB A.

As at 31 December 2016, 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 2016, no new Shares were issued from the conversion of CB B.

As at 31 December 2016, the Company had HK$33,000,000 convertible bonds (the "**CB 2015**") outstanding which could be converted into 37,078,651 Shares at the conversion price of HK$0.89 per share. During the year ended 31 December 2016, no new Shares were issued from the conversion of such convertible bonds. HK$27,000,000 convertible bonds were redeemed.

Subsequent to 31 December 2016, the Company has completed placing of 384,416,000 new Shares on 20 January 2017 at the placing price of HK$0.36 per share. For further details, please refer to "fund raising activities" section of this announcement.

Charge on Group Assets and Contingent Liabilities

As at 31 December 2015, the Group pledged bank deposits of approximately HK$236,000 as the security deposit for the warranty fund of sale of goods. As at 31 December 2016, the Group did not pledge any bank deposits.

As at 31 December 2016, the Group did not have material contingent liabilities (2015: Nil).

Capital Commitment

As at 31 December 2016, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK$52,000 (2015: approximately HK$5,213,000).

Disposal of Subsidiaries

During the year ended 31 December 2016, the Group entered into sale and purchase agreements to dispose of the entire issued share capital of The Building and Loan Agency (Asia) Limited (the "**BLA (Asia)**") and certain subsidiaries to independent third parties for a total cash consideration of HK$1,390,000 (the "**Disposal**"). The Disposal was completed during the first half of the 2016. The Group recorded a gain of approximately HK$43,019,000 as a result of the Disposal.

Save as disclosed above, there was no material disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2016.

Material Investments

The Group did not make any material acquisition and investment during the year ended 31 December 2016.

Fund Raising Activities

On 29 December 2016, the Company entered into a placing agreement ("**Placing Agreement**") with RHB Securities Hong Kong Limited ("**RHB**") as the placing agent pursuant to which the Company agreed to place through RHB, on a best-effort basis, an aggregate of up to 384,416,000 new shares at the placing price of HK$0.36 per placing share.

On 11 January 2017, the Company entered into a supplemental agreement ("**Supplemental Agreement**") with RHB pursuant to which the Company and RHB agreed to amend the Placing Agreement to remove the requirement that each placee shall not become a substantial shareholder of the Company as a result of the placing.

Completion of the placing took place on 20 January 2017 and a total of 384,416,000 new Shares have been successfully placed to a placee 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) immediately prior to the completion of the placing.

The gross proceeds from the placing were approximately HK$138.4 million and the net proceeds after deducting all relevant expenses were approximately HK$133.9 million, which the Company intends to utilize for (i) general working capital of the Group, (ii) repayment of existing indebtedness, and/or (iii) possible investments in the future. The utilization of the net proceeds from the placing was summarised as follows:

	Net proceeds from the placing	**Utilised**	**Balance as at 31 March 2017**
	HK$'000	*HK$'000*	*HK$'000*
General working capital of the Group	48,920	(23,878)	25,042
Repayment of existing indebtedness	34,980	–	34,980
Possible investments	50,000	–	50,000
	133,900	(23,878)	110,022

For further details, please refer to the announcements of the Company dated 29 December 2016, 11 January 2017 and 20 January 2017.

Staff and Remuneration

The Group had 41 (2015: 39) employees as at 31 December 2016 and total staff costs during the year ended 31 December 2016 amounted to approximately HK$13,236,000 (2015: approximately HK$24,715,000). The Group offers competitive remuneration packages to its employees.

Outlook and Prospect

The Group is facing intensified competition in the energy saving industry during the year, particularly for small and medium-sized projects. Having said that, due to the increasing awareness of the energy saving social responsibility and also the determination to reduce carbon emission, it is expected that energy saving and environmental protection would remain the key focus of the PRC government. Following the strategy to focus on sizeable enterprises and conglomerates, the Weldtech Group has successfully entered into projects with these corporations during the year. The Group will continue to target these customers with a view of securing a more steady and sizeable project pipeline for the Company, while enhancing the portfolio of our energy saving solutions to maximize the potential of our customers on top of the existing UPPC System and air conditioning solutions.

For loan financing and treasury investments, the Group will continue to explore potential investment opportunities with appropriate risk and return profile in the segments.

The Group will continue to explore various funding sources including project financing, debt financing and/or equity fundraising to finance the development of the Group's businesses.

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 2016.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, 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 2016. 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 the year ended 31 December 2016.

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 24 June 2016 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 2016.

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 2016 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 2016 have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2016. 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 2017

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