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 2017

The board (the "**Board**") of directors (the "**Director(s)**") of The Hong Kong Building and Loan Agency Limited (the "**Company**") announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*5*	**80,719**	22,080
Cost of operations		**(61,918)**	(14,703)
Gross profit		**18,801**	7,377
Other income	*6*	**2,202**	2,393
Other gains and losses	*7*	**419**	(201)
Net loss on financial assets at fair value through profit or loss		**–**	(2,181)
Gain on disposal of subsidiaries		**–**	43,019
Impairment loss on goodwill		**(66,176)**	(110,381)
Selling expenses		**(2,200)**	(1,457)
Administrative and operating expenses		**(77,664)**	(77,609)

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Loss from operations		**(124,618)**	(139,040)
Finance costs	*8*	**(88,689)**	(81,940)
Loss before taxation	*10*	**(213,307)**	(220,980)
Taxation	*9*	**20,074**	19,052
Loss for the year		**(193,233)**	(201,928)
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 investments		**245**	958
Exchange differences on translating foreign operations		**6,604**	(2,164)
Other comprehensive income/(loss) for the year, net of tax		**6,849**	(1,206)
Total comprehensive loss for the year, net of tax		**(186,384)**	(203,134)
Loss for the year attributable to owners of the Company		**(193,233)**	(201,928)
Total comprehensive loss attributable to owners of the Company		**(186,384)**	(203,134)
		HK cents	*HK cents*
Loss per share			
Basic and diluted	*12*	**(8.45)**	(10.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Intangible assets		**696,937**	751,421
Property, plant and equipment		**659**	1,143
Construction in progress		**22,515**	2,201
Goodwill	*13*	**432,403**	498,579
Available-for-sale financial assets		**12,127**	11,047
Trade receivables	*14*	**22,400**	–
Finance lease receivables		**33,612**	14,291
		1,220,653	1,278,682
Current assets			
Inventories		**632**	648
Trade and bills receivables	*14*	**36,430**	2,271
Prepayments, deposits and other receivables		**991**	1,234
Finance lease receivables		**12,777**	8,997
Amount due from customers under construction contracts		**861**	693
Cash and bank balances		**57,111**	34,360
		108,802	48,203
Current liabilities			
Trade and other payables	*15*	**25,092**	11,447
Amounts due to shareholders		**40**	1,790
Other borrowings		**23,965**	–
Convertible bonds		**–**	30,883
Financial liabilities derivatives		**–**	419
Promissory notes		**110,395**	–
		159,492	44,539
Net current (liabilities)/assets		**(50,690)**	3,664
Total assets less current liabilities		**1,169,963**	1,282,346

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible bonds	**491,008**	435,173
Promissory notes	**–**	95,660
Deferred tax liabilities	**177,136**	197,210
	668,144	728,043
Net assets	**501,819**	554,303
Capital and reserves		
Share capital	**1,344,398**	1,210,498
Reserves	**(842,579)**	(656,195)
Total equity	**501,819**	554,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 address of registered office of the Company is Unit 2305, 23/F, Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong.

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.

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.

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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning on or after 1 January 2017. A summary of the new HKFRSs are set out as below:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Except for the additional disclosures made in the Groups' consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

At the date of this announcement, the Group has not early adopted the following new and revised HKFRSs that have been issued but not yet effective:

HKFRS (Amendments)	Annual improvement to HKFRS, 2015-2017 cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transaction[1]
HKFRS 4 (Amendments)	Applying to HKFRS 9 Financial Instruments with HKFRS 4 Insurance contract[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HK(IFRIC) Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatment[2]

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

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

[3] Effective for annual periods beginning or after a date to be determined. Early adoption is permitted

[4] Effective for annual periods beginning or after 1 January 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standard ("**HKASs**") and related interpretations issued by HKICPA, and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange and the Hong Kong Companies Ordinance.

(b) Basis of preparation

The financial information relating to the Company for the years ended 31 December 2016 and 2017 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 2016 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 2017 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 2016 and 2017. The auditors' reports were unqualified; 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.

Going concern basis

The Group incurred a net loss of approximately HK$193,233,000 for the year ended 31 December 2017. As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately HK$50,690,000 and;

The Group had promissory notes of approximately HK$110,395,000 and other borrowings of approximately HK$23,965,000 which is due within the next twelve months after 31 December 2017. The Directors of the Company adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(i) *Alternative source of funding*

The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.

(ii) *Negotiation of corporate financing plan*

The management represents that the Group is currently negotiating the corporate financing plan with an independent potential investor for fund raising and both the Group and potential investor already engaged their financial advisor and related professional parties for due diligence task. Both the Group and potential investor are still in the phase of exchanging the views of the structure of the fund raising exercise. As such, with respect of no commitment or determination received from the potential investor, at this stage, the management are in the view that no public disclosure or announcement is required.

(iii) *Control policy for operating cost*

The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

(iv) *Improvement of operation of energy saving business*

The Group's energy saving operation is continually improving during the year and generate profit contribution to the Group before deducting the amortisation of intangible asset and impairment of goodwill in respect of this segment. The management expects the respective operation will become positive in the future.

In the opinion of the directors of the Company, in light of the various measures/arrangements implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

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 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 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover										
External sales	**–**	4	**–**	–	**80,719**	22,076	**–**	–	**80,719**	22,080
Result										
Segment results	**–**	4	**–**	(2,181)	**(112,849)**	(166,767)	**–**	–	**(112,849)**	(168,944)
Unallocated corporate expenses							**(12,188)**	(12,914)	**(12,188)**	(12,914)
Other gains and losses							**419**	(201)	**419**	(201)
Gain on disposal of subsidiaries							**–**	43,019	**–**	43,019
Finance costs	**–**	–	**–**	(795)	**(925)**	–	**(87,764)**	(81,145)	**(88,689)**	(81,940)
Loss before taxation									**(213,307)**	(220,980)
Taxation									**20,074**	19,052
Loss for the year									**(193,233)**	(201,928)

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2016: Nil).

Segment results represent the profit/(loss) by each segment without allocation of other gains and losses, gain on disposal of subsidiaries, centralised administration costs such as directors' emoluments, staff salaries, operating lease payments, certain legal and professional fees, finance costs and taxation. 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets								
Segment assets	**–**	–	**–**	–	**1,314,647**	1,313,283	**1,314,647**	1,313,283
Unallocated corporate assets							**14,808**	13,602
							1,329,455	1,326,885
Liabilities								
Segment liabilities	**–**	–	**–**	–	**29,379**	6,466	**29,379**	6,466
Unallocated corporate liabilities							**798,257**	766,116
							827,636	772,582

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**–**	4	**–**	–	**–**	–	**–**	–	**–**	4
Interest expenses classified in:										
– finance costs	**–**	–	**–**	(795)	**(925)**	–	**(87,764)**	(81,145)	**(88,689)**	(81,940)
Net loss on financial assets at fair value through profit or loss	**–**	–	**–**	(2,181)	**–**	–	**–**	–	**–**	(2,181)
Gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	43,019	**–**	43,019
Capital expenditure – others	**–**	–	**–**	–	**(8)**	(77)	**–**	–	**(8)**	(77)
Depreciation of property, plant and equipment	**–**	–	**–**	–	**(462)**	(394)	**–**	(320)	**(462)**	(714)
Amortisation of intangible assets	**–**	–	**–**	–	**(54,484)**	(54,484)	**–**	–	**(54,484)**	(54,484)
Impairment loss of goodwill	**–**	–	**–**	–	**(66,176)**	(110,381)	**–**	–	**(66,176)**	(110,381)
Fair value changes on financial liabilities derivatives	**–**	–	**–**	–	**–**	–	**491**	1,451	**491**	1,451
Loss on early redemption of convertible bonds	**–**	–	**–**	–	**–**	–	**–**	(1,652)	**–**	(1,652)

Geographical information

The Group operates in three principal geographical areas – 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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**80,719**	22,076	**1,208,526**	1,267,541
Hong Kong	**–**	4	**835**	94
Taiwan	**–**	–	**11,292**	11,047
	80,719	22,080	**1,220,653**	1,278,682

Information about major customer

Included in the Group's revenue of approximately HK$80,719,000 (2016: HK$22,080,000), the revenue of approximately HK$71,409,000 (2016: HK$15,437,000) which arose from three (2016: two) customer 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:

	2017	2016
	HK$'000	*HK$'000*
Customer A *(Note)*	**42,259**	–
Customer B *(Note)*	**15,425**	–
Customer C *(Note)*	**13,725**	–
Customer D	**–**	10,264
Customer E	**–**	5,173

Note: No information on revenue for the year ended 31 December 2016 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 2016.

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:

	2017	2016
	HK$'000	*HK$'000*
Loan financing:		
Interest on loan receivables	**–**	4
Design and provision of energy saving solutions:		
Sale of goods	**54,127**	15,570
Sale of goods under finance lease	**26,360**	6,368
Repair and maintenance service fee income	**232**	138
	80,719	22,076
	80,719	22,080

6. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**101**	77
Interest income on finance lease receivables	**2,029**	2,304
Government grants	**40**	–
Others	**32**	12
	2,202	2,393

7. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Fair value changes on financial liabilities derivatives	**419**	1,451
Loss on early redemption of convertible bonds	**–**	(1,652)
	419	(201)

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expense on other borrowings	**925**	–
Imputed interest charged on promissory notes	**14,735**	13,743
Imputed interest charged on convertible bonds	**73,029**	68,197
	88,689	81,940

9. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Deferred taxation		
Credit for the year	**(20,074)**	(19,052)

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 Profits Tax

Hong Kong Profits 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 subsidiaries 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%. One of 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):

	2017	2016
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration)		
– Directors' fee	**2,841**	2,883
– Salaries, bonus and wages	**7,440**	8,661
– Contribution to retirement benefits schemes	**745**	1,692
	11,026	13,236
Amortisation of intangible assets	**54,484**	54,484
Depreciation of property, plant and equipment	**462**	714
Cost of inventories sold	**61,918**	14,703
Auditors' remuneration	**890**	850
Equity-settled share based payments	**–**	136
Operating lease payments	**1,575**	2,501
Loss on disposal of property, plant and equipment	**94**	37
Exchange loss	**479**	2
Impairment loss on goodwill	**66,176**	110,381

11. DIVIDEND

The Directors do not recommend payment of any dividends for the year ended 31 December 2017 (2016: 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:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(193,233)**	(201,928)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,285,439**	1,922,086

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 2017 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect. The basic and diluted loss per share are the same for both years.

13. GOODWILL

	HK$'000
Cost	
At 1 January 2016, 31 December 2016, 1 January 2017, and 31 December 2017	**1,275,620**
Accumulated impairment	
As at 1 January 2016	666,660
Impairment for the year	110,381
At 31 December 2016 and 1 January 2017	777,041
Impairment for the year	66,176
At 31 December 2017	**843,217**
Carrying amounts	
As at 31 December 2017	**432,403**
As at 31 December 2016	498,579

Particular of impairment testing on goodwill is disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash generating units ("**CGU**"):

– Design and provision of energy saving solutions ("**Energy Saving Business**")

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

	2017	2016
	HK$'000	*HK$'000*
Trade receivables		
– with normal credit terms	**25,243**	1,784
– with extended credit terms	**33,587**	–
	58,830	1,784
Less: Non-current portion of trade receivables with extended credit terms	**(22,400)**	–
Current portion of trade receivables	**36,430**	1,784
Bills receivables	**–**	487
	36,430	2,271

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

	Extended credit terms		Normal credit terms		Total	Total
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
0-90 days	**33,587**	–	**22,925**	1,784	**56,512**	1,784
91-180 days	**–**	–	**2,082**	–	**2,082**	–
Over 180 days	**–**	–	**236**	–	**236**	–
	33,587	–	**25,243**	1,784	**58,830**	1,784

15. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**1,278**	1,219
Accrued service fee for acquisition of a subsidiary	**3,871**	3,871
Accrued expenses	**2,410**	2,562
Receipt in advance	**1,945**	1,738
Interest payables	**14,177**	1,080
Other payables	**1,411**	977
	25,092	11,447

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

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**713**	585
91 – 180 days	**–**	17
181 – 365 days	**78**	71
Over 365 days	**487**	546
	1,278	1,219

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual financial statements for the year ended 31 December 2017:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$193,233,000 during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$50,690,000. As stated in Note 3 to the consolidated financial statements, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2017, the Group recorded a revenue of approximately HK$80,719,000, representing an increase of approximately 265.6% as compared with HK$22,080,000 for the last year. A loss for the year attributable to the owners of the Company of approximately HK$193,233,000 (2016: loss of approximately HK$201,928,000) was recorded, which is mainly attributable to (i) an impairment of goodwill of approximately HK$66,176,000 (2016: HK$110,381,000); (ii) the amortisation of the intangible assets of the Company of approximately HK$54,484,000 (2016: HK$54,484,000); and (iii) finance costs of approximately HK$87,764,000 (2016: HK$81,940,000) due to interest amortisation of convertible bonds and promissory notes; and approximately HK$925,000 (2016: nil) on other borrowings raised for financing the projects of the Group's operations. The decrease in loss attributable to the owners of the Company was mainly due to the decrease in impairment of goodwill by HK$44,205,000; offset by the decrease in one-off gain of approximately HK$43,019,000 on disposal of subsidiaries during the year ended 31 December 2016 while there was no disposal of subsidiary during the year ended 31 December 2017.

With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK$112,849,000 was recorded for the year ended 31 December 2017 (2016: approximately HK$166,767,000). The segment loss was mainly attributable to the impairment of goodwill of approximately HK$66,176,000 (2016: HK$110,381,000) and the amortisation of the intangible assets of approximately HK$54,484,000 (2016: HK$54,484,000). 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 2017 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. The decrease in segment loss was due to (i) the increase in revenue and gross profit by HK$58,639,000 and HK$11,424,000, respectively, compared with last year, as a result of entering into sizeable projects which is in line with the strategy to focus on sizeable enterprises and conglomerates; and (ii) the decrease in impairment loss of goodwill by HK$44,205,000. Before deducting the amortisation of intangible assets and impairment loss of goodwill, Weldtech Group has generated a segment profit of approximately HK$6,886,000 (2016: segment loss of approximately HK$1,902,000) to the Group.

With respect to the segment of loan financing business, approximately HK$4,000 was generated from the Group's loan financing business which contributed a segment gain of approximately HK$4,000 for the year ended 31 December 2016. During the year ended 31 December 2017, due to the volatile market conditions, the Group was unable to identify new loan projects commanding the target risk and return profile to replenish the loan portfolio of the Group.

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. The loss recorded during the year ended 31 December 2016 for the treasury investments segment was mainly attributable to the decrease in the share prices of the equity securities held for investments. Such held-for-trading investments were disposed through disposal of a subsidiary during the year ended 31 December 2016.

During the year ended 31 December 2017, the Group has acquired 450,000 shares of CIAM Capital Management Limited ("**CIAMC**") which represent approximately 9% of the entire issued equity interest in CIAMC at the consideration of approximately HK$835,000. Such investment has been accounted for under "**available-for-sale financial assets**" in the consolidated statement of financial position. CIAMC is a licensed corporation under the Hong Kong Securities and Futures Ordinance to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities in Hong Kong. The Company has identified CIAMC as an ideal platform to expand the Group's presence in the asset management market.

Total Assets and Total Liabilities

As at 31 December 2017, the total assets increased to approximately HK$1,329,455,000 (2016: approximately HK$1,326,885,000). The slight increase was mainly attributable to: (i) the increase in construction in progress to approximately HK$22,515,000 (2016: approximately HK$2,201,000); (ii) the increase in finance lease receivable to approximately HK$46,389,000 (2016: approximately HK$23,288,000); (iii) the increase in trade and bills receivables to approximately HK$58,830,000 (2016: HK$2,271,000); offset by (iv) the impairment of goodwill of approximately HK$66,176,000 (2016: HK$110,381,000).

As at 31 December 2017, the Group held intangible assets amounting to approximately HK$696,937,000 (2016: approximately HK$751,421,000). 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 2017, the Group held finance lease receivables amounting to approximately HK$46,389,000 (2016: approximately HK$23,288,000).

As at 31 December 2017, the total liabilities increased to approximately HK$827,636,000 (2016: approximately HK$772,582,000). The total liabilities mainly represented the convertible bonds with carrying amount of approximately HK$491,008,000 (2016: approximately HK$466,056,000); the promissory notes with carrying amount of approximately HK$110,395,000 (2016: approximately HK$95,660,000); trade and other payables of approximately HK$25,092,000 (2016: approximately HK$11,447,000); and other borrowings of approximately HK$23,965,000 (2016: nil).

The increase in total liabilities was mainly due to (i) the imputed interest charged on the carrying amount of convertible bonds and promissory notes of approximately HK$87,764,000 (2016: approximately HK$81,940,000); (ii) the other borrowings of approximately HK$23,965,000 (2016: nil) raised for financing the projects of the Group's operations, which is secured by a guarantee provided by the Company, and carries a fixed interest rate at 12% per annum; offset by (iii) the redemption of convertible bonds with principal amount of an aggregate of HK$33,000,000 upon maturity. For further details, please refer to "**capital structure**" section of this announcement.

Foreign Exchange Exposure

The Group conducts its business transactions mainly in the PRC and Hong Kong. The Group's assets were mainly denominated in Renminbi ("**RMB**") and Hong Kong Dollars ("**HK$**"). HK$ is the Group's presentation currency. During the year, the revenue, cost of operations and operating expenses of the Group are mainly denominated in RMB. Therefore, the Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB against HK$. The Group has not entered into any significant foreign exchange contract. Management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity and Financial Resources

As at 31 December 2017, the Group's cash and bank balances amounted to approximately HK$57,111,000 (2016: approximately HK$34,360,000), and it had outstanding convertible bonds of approximately HK$491,008,000 (2016: approximately HK$466,056,000) and promissory notes of approximately HK$110,395,000 (2016: approximately HK$95,660,000). The net assets of the Group amounted to approximately HK$501,819,000 (2016: approximately HK$554,303,000).

The Group incurred a net loss of approximately HK$193,233,000 for the year ended 31 December 2017. As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately HK$50,690,000; and

The Group had promissory notes of approximately HK$110,395,000 and other borrowings of approximately HK$23,965,000 which is due within the next twelve months after 31 December 2017. The Directors of the Company adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(i) Alternative source of funding

The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.

(ii) Negotiation of corporate financing plan

The management represents that the Group is currently negotiating the corporate financing plan with an independent potential investor for fund raising and both the Group and potential investor already engaged their financial advisor and related professional parties for due diligence task. Both the Group and potential investor are still in the phase of exchanging the views of the structure of the fund raising exercise. As such, with respect of no commitment or determination received from the potential investor, at this stage, the management are in the view that no public disclosure or announcement is required.

(iii) Control policy for operating cost

The Group will implement operation plans to control costs and generate adequate cash flows from the Group's operations.

(iv) Improvement of operation of energy saving business

The Group's energy saving operation is continually improving during the year and generate profit contribution to the Group before deducting the amortisation of intangible asset and impairment of goodwill in respect of this segment. The management expects the respective operation will become positive in the future.

In the opinion of the directors of the Company, in light of the various measures/arrangements implemented after the end of the reporting period, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

The gearing ratio of the Group as at 31 December 2017, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital, was 53% (2016: 49%).

As at 31 December 2017, the Group's other borrowings of approximately HK$23,965,000 (2016: nil) were secured by the corporate guarantees granted by the Company.

Capital Structure

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

On 14 June 2017, the Company had principal amount of HK$33,000,000 convertible bonds 2015 (the "**CB 2015**") outstanding which have been redeemed on its maturity date plus accrued interest. During the year ended 31 December 2017, no new Shares were issued from the conversion of CB 2015.

As at 31 December 2017, the Company had principal amount of 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 2017, no new Shares were issued from the conversion of CB A.

As at 31 December 2017, the Company had principal amount of 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 2017, no new Shares were issued from the conversion of CB B.

As at 31 December 2017, the Company's number of issued ordinary shares was 2,306,502,816 ("**Share(s)**") (2016: 1,922,086,816 Shares).

Charge on Group Assets and Contingent Liabilities

As at 31 December 2017, the Group did not have material contingent liabilities (2016: Nil).

Capital Commitment

As at 31 December 2017, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK$23,471,000 (2016: approximately HK$52,000).

Material Investments, Acquisition And Disposals

Save as disclosed in the section headed "**Business Review**", there were no material investments, acquisitions or disposals of subsidiaries during the year ended 31 December 2017.

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 of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**")) immediately prior to the completion of the placing.

The gross proceeds from the placing were approximately HK$138,400,000 and the net proceeds after deducting all relevant expenses were approximately HK$133,900,000, which the Company intends to utilise for (i) general working capital of the Group, (ii) repayment of existing indebtedness, and/or (iii) possible investments in the future. The utilisation of the net proceeds from the placing was summarised as follows:

	Original allocation of net proceeds	Revised allocation after the changes as disclosed in the announcement dated 18 October 2017	Amount utilised up to 31 December 2017	Balance as at 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
General working capital of the Group	48,920	96,085	(96,085)	–
Repayment of existing indebtedness	34,980	34,980	(34,980)	–
Possible investments	50,000	2,835	(835)	2,000
	133,900	133,900	(131,900)	2,000

For further details, please refer to the announcements of the Company dated 29 December 2016, 11 January 2017, 20 January 2017, 18 August 2017 and 18 October 2017.

Staff and Remuneration

The Group had 39 (2016: 41) employees as at 31 December 2017 and total staff costs during the year ended 31 December 2017 amounted to approximately HK$11,026,000 (2016: approximately HK$13,236,000). 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.

Due to the increasing awareness of the energy saving, social responsibility and also the determination to reduce carbon emission, the energy saving and environmental protection remain the key focus of the PRC government. Following the strategy to focus on sizeable enterprises and conglomerates, the Weldtech Group has successfully secured projects in line with this strategy during the year. Several projects have been completed during the year while the remaining projects are ongoing, either in implementation or construction stage. These projects are expected to complete and recognise as revenue in later years, subject to the progress. Weldtech Group will continue to focus on sizeable projects to strengthen its market position.

The Weldtech Group will continue to target these sizeable enterprises and conglomerates with a view of securing a more steady and sizeable project pipeline, while enhancing the portfolio of the Company's energy saving solutions to maximise the potential of our customers on top of the existing UPPC System and air conditioning solutions.

During the year, the Company has acquired approximately 9% equity interest in CIAMC, a licensed corporation, as a first step to explore and extend the asset management market. Furthermore, the Group will continue to seek for different into investment opportunities with appropriate risk and return profile. The Group will continue to explore various funding sources including project financing, debt financing and/or equity fund raising 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 2017.

CORPORATE GOVERNANCE CODE

Throughout the Year, 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. 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.

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 23 June 2017 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 2017.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Choy Hiu Fai, Eric (the chairman of the Audit Committee), Mr. Yeung Wai Hung, Peter, and Mr. Huang Lizhi.

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 2017 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 2017 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 2017. 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, 28 March 2018

As at the date of this announcement, the Board comprises Dr. Li Ai Guo, Mr. Chong Kok Leong and Mr. Zhuang Miaozhong being the executive Directors; and Mr. Yeung Wai Hung, Peter, Mr. Choy Hiu Fai, Eric and Mr. Huang Lizhi being the independent non-executive Directors.