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 2019

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of The Hong Kong Building and Loan Agency Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") has not been completed. The board (the "**Board**") of directors (the "**Director(s)**") of the Company announces the unaudited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*5*	**41,272**	50,506
Cost of operations		**(34,991)**	(35,606)
Gross profit		**6,281**	14,900
Other income	*6*	**5,155**	7,384
Net allowance for expected credit losses on trade receivables and finance lease receivables		**(13,125)**	(289)
Loss on early settlement of finance lease receivables		**(9,717)**	–
Loss on disposal of subsidiary	*15*	**(5,593)**	–
Impairment loss on goodwill		**–**	(432,403)
Impairment loss on intangible assets		**(43,435)**	(541,453)
Amortisation of intangible assets		**(8,565)**	(54,484)
Loss on remeasurement of liability component of convertible bonds		**–**	(403,694)
Selling expenses		**(2,281)**	(2,515)
Administrative and operating expenses		**(20,144)**	(22,047)

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Loss from operations		**(91,424)**	(1,434,601)
Finance costs	*7*	**(23,560)**	(99,123)
Loss before taxation	*8*	**(114,984)**	(1,533,724)
Taxation	*9*	**7,800**	161,986
Loss for the year		**(107,184)**	(1,371,738)
Other comprehensive income/(loss) for the year, net of tax			
Item that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**6,522**	(2,481)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign investments		**435**	(6,430)
Other comprehensive income/(loss) for the year, net of tax		**6,957**	(8,911)
Total comprehensive loss for the year, net of tax		**(100,227)**	(1,380,649)
Loss for the year attributable to owners of the Company		**(107,184)**	(1,371,738)
Total comprehensive loss attributable to owners of the Company		**(100,662)**	(1,380,649)
		HK cents	*HK cents*
Loss per share			
– Basic and diluted	*11*	**(4.18)**	(59.47)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Non-current assets			
Intangible assets	*12*	**49,000**	101,000
Property, plant and equipment		**116**	367
Right-of-use assets		**374**	–
Construction in progress		**2,130**	19,614
Financial assets at fair value through other comprehensive income		**–**	8,811
Trade receivables	*13*	**4,799**	13,130
Finance lease receivables		**64,973**	68,160
		121,392	211,082
Current assets			
Inventories		**562**	597
Trade and bills receivables	*13*	**45,784**	34,084
Prepayments, deposits and other receivables		**1,183**	1,784
Finance lease receivables		**12,890**	10,707
Cash and bank balances		**11,076**	22,986
		71,495	70,158
Current liabilities			
Trade and other payables	*14*	**17,705**	51,991
Lease liabilities		**376**	–
Other borrowing		**22,318**	22,532
Convertible bonds		**–**	945,158
Promissory notes		**–**	127,400
		40,399	1,147,081
Net current assets/(liabilities)		**31,096**	(1,076,923)
Total assets less current liabilities		**152,488**	(865,841)

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	**7,350**	15,150
	7,350	15,150
Net assets/(liabilities)	**145,138**	(880,991)
Capital and reserves		
Share capital	**3,148,629**	1,344,398
Reserves	**(3,003,491)**	(2,225,389)
Total equity	**145,138**	(880,991)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 "**Exchange**").

The address of registered office of the Company is Rooms 1801-4, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

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

The unaudited 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015 – 2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKFRS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKFRS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied is 9.65%

A reconciliation of the operating lease commitment as at 31 December 2018 to the lease liabilities as at 1 January 2019 is as follows:

	At 1 January 2019 *HK$'000* (Unaudited)
Operating lease commitment at 31 December 2018	**1,094**
Less: total future interest expenses	**(67)**
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	**1,027**
Less: Recognition exemption-short-term leases not recognised as liability	**(180)**
Lease liabilities as at 1 January 2019	**847**
Analysis as:	
Non-current	**380**
Current	**467**
	847

The Group recognised lease liabilities of approximately HK$847,000 and right-of-use assets of approximately HK$847,000 at 1 January 2019.

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	HK$' 000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 *(Note a)*	**847**
By class	
– Office premises	**847**

Note:

(a) The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 1 January 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018	**Adjustments**	**Carrying amount under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Non-current assets			
Right-of-use assets	–	847	847
Current liabilities			
Lease liabilities	–	(467)	(467)
Non-current liabilities			
Lease liabilities	–	(380)	(380)

Note:

(1) The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets of approximately HK$847,000 and lease liabilities of approximately HK$847,000 at the initial adoption of HKFRS 16.

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

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

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by HKICPA. 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 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 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 *Impairment of Assets*.

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.

Going Concern

For the year ended 31 December 2019, the Group incurred a net loss of approximately HK$107,184,000 (2018: approximately HK$1,371,738,000) and a net cash outflow from operating activities of approximately HK$13,007,000 (2018: approximately HK$27,269,000). 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) Control policy for operating cost

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

These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise the Group's assets and discharge the Group's liabilities in the normal course of business.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. The directors of the Company are of the opinion that, taking into account the above mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2019 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.

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.

During the years ended 31 December 2018 and 2019, the Group operates in one operating segment which is the provision of design and provision of energy saving solutions. A single management team reports to the Directors of the Group (being the chief operating decision-maker) who comprehensively manages the entire business. Accordingly, the Group does not present separately segment information.

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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
The PRC	**41,272**	50,506	**121,392**	202,271
Taiwan	**–**	–	**–**	8,811
	41,272	50,506	**121,392**	211,082

Information about major customer

Included in the Group's revenue of approximately HK$41,272,000 (2018: HK$50,506,000), the revenue of approximately HK$34,608,000 (2018: HK$48,075,000) which arose from two (2018: three) 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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Customer A	**21,418**	24,615
Customer B *(Note (a))*	**–**	18,095
Customer C *(Note (b))*	**13,190**	–
Customer D *(Note (a))*	**–**	5,365

Note:

(a) No information on revenue for the year ended 31 December 2019 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 2019.

(b) No information on revenue for the year ended 31 December 2018 is disclosed for this customer, since this customer did not contribute 10% or more than to the Group's revenue for the year ended 31 December 2018.

5. REVENUE

Revenue represents the aggregate of the amounts received and receivable from third parties, income from design and provision of energy saving solutions. Revenue recognised during the years are as following:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Disaggregation of revenue from contracts with customers		
Recognised over time		
Energy saving solutions income	**25,099**	6.452
Recognised at a point in time		
Repair and maintenance service income	**778**	472
Revenue from contracts with customers	**25,877**	6,924
Revenue from other source		
Energy saving solutions income under finance leases	**15,395**	43,582
	41,272	50,506

6. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank interest income	**80**	173
Interest income on finance lease receivables	**2,808**	3,865
Interest income on extended trade receivables	**2,122**	3,299
Government grants	**60**	36
Others	**85**	11
	5,155	7,384

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest expense on other borrowing	**3,812**	3,307
Interest expenses on lease liabilities	**55**	–
Imputed interest charged on promissory notes	**–**	17,005
Imputed interest charged on convertible bonds	**19,693**	78,811
	23,560	99,123

8. LOSS BEFORE TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Staff costs (including directors' remuneration)		
– Directors' fee	**1,800**	1,701
– Salaries, bonus and wages	**7,303**	7,424
– Contribution to retirement benefits schemes	**808**	841
	9,911	9,966
Amortisation of intangible assets	**8,565**	54,484
Depreciation of property, plant and equipment	**249**	293
Depreciation of right-of-use assets	**467**	–
Cost of inventories sold	**34,991**	35,606
Auditors' remuneration	**900**	890
Operating lease payments	**–**	1,455
Expenses relating to short-term leases	**448**	–
Exchange loss	**1,476**	2,744
Impairment loss on intangible assets	**43,435**	541,453
Impairment loss on goodwill	**–**	432,403
Loss on remeasurement of liability component of convertible bonds	**–**	403,694
Net allowances for expected credit losses on trade receivables and finance lease receivables		
– Allowance for expected credit losses on trade receivables	**11,289**	770
– Allowance for expected credit losses on finance lease receivables	**2,172**	–
– Reversal of allowance for expected credit losses on trade receivables	**(1)**	(1)
– Reversal of allowance for expected credit losses on finance lease receivables	**(335)**	(480)
	13,125	289

9. TAXATION

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deferred taxation		
Credit for the year	**(7,800)**	(161,986)

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

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporation not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the years ended 31 December 2018 and 2019.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

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. DIVIDEND

The Directors do not recommend payment of any dividends for the year ended 31 December 2019 (2018: Nil).

11. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(107,184)**	(1,371,738)

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,566,881**	2,306,502

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

Note: The calculation of diluted loss per share for the years ended 31 December 2018 and 2019 does not include convertible bonds and share options as the assumed conversion of these convertible bonds and exercise of these share options has an anti-dilutive effect. The basic and diluted loss per share are the same for both years.

12. INTANGIBLE ASSETS

	Patents
	HK$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	**889,901**
Accumulated amortisation and impairment	
At 1 January 2018	192,964
Amortisation expenses	54,484
Impairment for the year	541,453
At 31 December 2018 and 1 January 2019	788,901
Amortisation expenses	8,565
Impairment for the year	43,435
At 31 December 2019	**840,901**
Carrying amounts	
At 31 December 2019 (Unaudited)	**49,000**
At 31 December 2018 (Audited)	101,000

Notes:

(a) The intangible assets represent 7 patents regarding the acquired and owned "Ultra Performance Plant Control System" ("**UPPC**") for its novelty and industrial applicability in the PRC under the cash generating units of design and provision of energy saving solutions business.

(b) The patents for UPPC system's useful life used in the calculation of amortisation is 11.8 years (2018: 16.3 years).

(c) The Group carried out a review of the recoverable amount of the patents which are allocated to energy saving solution business for impairment assessments. An impairment loss of approximately HK$43,435,000 (2018: HK$541,453,000) on the intangible assets allocated to energy saving solution business was recognised during the year.

13. TRADE AND BILLS RECEIVABLES

	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Trade receivables		
– with normal credit terms	**27,063**	22,262
– with extended credit terms	**25,126**	24,487
	52,189	46,749
Less: Allowance for expected credit losses	**(11,977)**	(770)
	40,212	45,979
Less: Non-current portion of trade receivables with extended credit terms, net of allowance for expected credit losses	**(4,799)**	(13,130)
Current portion of trade receivables	**35,413**	32,849
Bills receivables	**10,371**	1,235
	45,784	34,084

The ageing analysis of trade receivables is based on the invoice date, net of allowance for expected credit losses, as follows:

	Extended credit terms		Normal credit terms		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
0–90 days	**–**	–	**715**	900	**715**	900
91–180 days	**–**	–	**–**	–	**–**	–
Over 180 days	**20,315**	24,487	**19,182**	20,592	**39,497**	45,079
	20,315	24,487	**19,897**	21,492	**40,212**	45,979

Note: The directors of the Company consider that these balances are fully recoverable.

14. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**6,416**	1,422
Accrued service fee for acquisition of a subsidiary	**3,871**	3,871
Accrued expenses	**2,356**	3,588
Interest payables	**4,292**	42,532
Other payables	**770**	578
	17,705	51,991

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**4,655**	181
91 – 180 days	**875**	7
181 – 365 days	**20**	380
Over 365 days	**866**	854
	6,416	1,422

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

15. DISPOSAL OF SUBSIDIARY

On 11 September 2019, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Blossom Ally Limited to an independent third party for cash consideration of approximately HK$4,500,000. The disposal was completed on 24 December 2019. Summary of the effects of the disposal is as follows:

	HK$'000
	(Unaudited)
Net assets disposed of:	
Financial assets at fair value through other comprehensive income	15,333
Cash and bank balances	4
	15,337

Loss on disposal of subsidiary

	HK$'000
	(Unaudited)
Consideration received	4,500
Release of financial assets at fair value through other comprehensive income reserve	5,244
Net assets disposal of	(15,337)
Loss on disposal	(5,593)

Net cash inflow from disposal of subsidiary

	HK$'000
	(Unaudited)
Consideration received in cash and cash equivalents	4,500
Less: cash and bank balances disposed of	(4)
Net cash inflow from disposal of subsidiary	4,496

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 2019, based on unaudited financial information,the Group recorded a revenue of approximately HK$41,272,000, representing a decrease of approximately 18.3% as compared with HK$50,506,000 for the last year. A loss for the year attributable to the owners of the Company of approximately HK$107,184,000 (2018: loss of approximately HK$1,371,738,000) was recorded, which was mainly attributable to (i) an impairment of intangible assets of approximately HK$43,435,000 (2018: HK$541,453,000); (ii) an amortisation of the intangible assets of approximately HK$8,565,000 (2018: HK$54,484,000); (iii) finance costs of approximately HK$23,560,000 (2018: HK$99,123,000) which included the interest expense on convertible bonds of HK$19,693,000 (2018: HK$28,355,000) and interest expense of approximately HK$3,812,000 (2018: HK$3,307,000) on other borrowings raised for project financing of the Group; (iv) net allowance for expected credit losses on trade and finance lease receivables and loss on early settlement of finance lease receivables of approximately HK$22,842,000 (2018: HK$289,000); and (v) an one-off loss of approximately HK$5,593,000 on disposal of subsidiary (2018: Nil).

During the year ended 31 December 2018, there was an one-off loss on remeasurement of liability component of convertible bonds of approximately HK$403,694,000; an impairment of goodwill of approximately HK$432,403,000; and imputed interest charged on convertible bonds and promissory notes of HK$67,461,000. There was no such expenses during the year ended 31 December 2019.

Energy saving solutions business

The Company completed 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 June 2014, which is primarily engaged in design and provision of energy saving solutions business.

With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK$74,840,000 was recorded for the year ended 31 December 2019 (2018: approximately HK$1,025,904,000). The segment loss was mainly attributable to: (i) an impairment of intangible assets of approximately HK$43,435,000 (2018: approximately HK$541,453,000); (ii) an amortisation of the intangible assets of approximately HK$8,565,000 (2018: approximately HK$54,484,000); and (iii) net allowance for expected credit losses on trade receivables and finance lease receivables and loss on early settlement of finance lease receivables of approximately HK$22,842,000 (2018: HK$289,000). The amortisation of intangible assets is calculated over the useful life of 7 patents for "Ultra Performance Plant Control System" ("**UPPC System**") held under Weldtech Group. There was no impairment of goodwill during the year ended 31 December 2019 (2018: HK$432,403,000).

The impairment of goodwill and intangible assets represents the impairment of goodwill arising from the Acquisition in 2014 and the impairment of intangible assets held under Weldtech Group. The Company engaged an independent qualified valuer to assess the value in use of Weldtech Group as at 31 December 2019 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. As at the date of this announcement, the valuation report is not finalised and the valuation result is based on the information currently available. There may be changes or adjustments following further review and finalisation of the audited accounts of the Group by the Board and the Group's auditors.

The decrease in valuation was mainly due to the following factors: (i) the slow-down in the PRC economy including but not limited to the US-China trade war and the outbreak of the novel coronavirus (COVID-19) (the "**Virus**") that weakened the market demand; (ii) the fierce competition within the energy saving business; (iii) difficulties in getting financing within the energy saving industry; and (iv) continuous lowering of government subsidies. As above, an overall poor market sentiment in energy saving sector was resulted.

During the period ended 31 December 2019, Weldtech Group has focused on the completion of the projects signed in previous years. Project completion is subjected to factors such as (i) suitable weather conditions for system commissioning and/or trial run to ensure the system stability and level of energy saving; (ii) customer related factors including the condition and/or the readiness of the project site provided by customers; and (iii) projection variations due to change in project scope or schedule requested by customers. The Weldtech Group mainly focused on seeking buyout project opportunities from potential customers or through secondary sales from existing customers. Due to the slow-down of the PRC economy, commercial activities as well as energy consumption of existing and potential customers were weakened. In light of the economic downturn, the Weldtech Group has taken cautious approach including negotiations with the existing customers for early settlement and provided provisions for net allowance for expected credit losses on trade receivables and finance lease receivables with a total of HK$22,842,000. Before deducting the amortisation of intangible assets and the respective deferred tax movement, Weldtech Group has generated a segment loss of approximately HK$30,640,000 (2018: segment profit of approximately HK$2,436,000) to the Group.

Loan financing and treasury investments businesses

With respect to the segment of loan financing and treasury investments businesses, the Company is in the process of locating opportunities in both the loan financing and treasury investments segments. However, there is no desirable opportunity raised and found fit to the Company. The Company will continue to explore the business opportunities in the market for the development of the Group's business.

TOTAL ASSETS AND TOTAL LIABILITIES

As at 31 December 2019, the total assets decreased to approximately HK$192,887,000 (2018: approximately HK$281,240,000). The decrease was mainly attributable to: (i) an impairment of intangible assets of approximately HK$43,435,000 (2018: approximately HK$541,453,000); (ii) an amortisation of intangible assets of HK$8,565,000 (2018: approximately HK$54,484,000); (iii) the decrease in construction in progress by approximately HK$17,484,000 to approximately HK$2,130,000 (2018: approximately HK$19,614,000); and (iv) the decrease in the financial assets at fair value through other comprehensive income by approximately HK$8,811,000 through disposal of subsidiary.

As at 31 December 2019, the Group held intangible assets amounting to approximately HK$49,000,000 (2018: approximately HK$101,000,000). 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 2019, the Group held finance lease receivables amounting to approximately HK$77,863,000 (2018: approximately HK$78,867,000).

As at 31 December 2019, total liabilities decreased to approximately HK$47,749,000 (2018: approximately HK$1,162,231,000). The total liabilities mainly represented the trade and other payables of approximately HK$17,705,000 (2018: approximately HK$51,991,000); and other borrowings of approximately HK$22,318,000 (2018: approximately HK$22,532,000). The significant decrease in total liabilities was mainly due to the completion of the scheme of arrangement on 25 October 2019. A total number of 1,418,478,995 Shares were allotted and issued to the creditors at the price of HK$0.8 per share to settle the outstanding principal amount of the convertible bonds of approximately HK$945.2 million, promissory notes of approximately HK$127.4 million, and interest accrued on the outstanding principal amount of the convertible bonds of approximately HK$62.2 million, accordingly. For further details, please refer to "significant events" 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, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Dear the year ended 31 December 2019, the Group finances its operations by internally generated cashflows and borrowings. As at 31 December 2019, the Group has net current assets of approximately HK$31,096,000 (31 December 2018: net current liabilities of approximately HK$1,076,923,000). As at 31 December 2019, the Group's cash and bank balances amounted to approximately HK$11,076,000 (2018: approximately HK$22,986,000).

The gearing ratio of the Group as at 31 December 2019, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total capital (as calculated by total equity plus net debts), was 7.2% (2018: 561%).

As at 31 December 2019, the Group's other borrowings of approximately HK$22,318,000 (2018: HK$22,532,000) were secured by the corporate guarantees granted by the Company.

On 25 October 2019, the scheme of arrangement has been closed. A total number of 1,418,478,995 Shares were allotted and issued to the creditors at the price of HK$0.8 per share to settle the outstanding principal amount of the convertible bonds of approximately HK$945.2 million, promissory notes of approximately HK$127.4 million, and interest accrued on the outstanding principal amount of the convertible bonds of approximately HK$62.2 million, accordingly. For further details, please refer to "significant events" section of this announcement.

The share capital of the Group only comprises of ordinary shares. As at 31 December 2019, the Company's number of issued ordinary shares was 3,724,981,811 ("**Share(s)**") (2018: 2,306,502,816 Shares).

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have material contingent liabilities (2018: Nil) and charge on group assets (2018: Nil).

CAPITAL COMMITMENT

As at 31 December 2019, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK$5,994,000 (2018: approximately HK$6,679,000).

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

On 11 September 2019, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Blossom Ally Limited to an independent third party for cash consideration of approximately HK$4,500,000. The disposal was completed on 24 December 2019.

Save as disclosed elsewhere in this announcement, there were no material investments, acquisitions or disposals of subsidiaries during the year ended 31 December 2019.

STAFF AND REMUNERATION

The Group had 33 (2018: 34) employees as at 31 December 2019 and total staff costs during the year ended 31 December 2019 amounted to approximately HK$9,911,000 (2018: approximately HK$9,966,000). The Group offers competitive remuneration packages to its employees.

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 place 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 place 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 "**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 2019**	**Balance as at 31 December 2019**
	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, 18 October 2017 and 24 September 2019.

SIGNIFICANT EVENTS

In early 2018, the Group was 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. However, after exchanging the views of the structure of the fund raising exercise, no further update has been received from the potential investor. Since then, the Company has been negotiating with other investors and institutions to provide further liquidity for the Group.

The Scheme

As announced in January 2019, the Company proposed to enter into and implement a scheme of arrangement (the "**Scheme**"), the purpose of which is to settle and discharge all liabilities under the convertible bonds and promissory notes issued by the Company in relation to the Acquisition in the previous years. The management is in the opinion that settlement and discharge of the above liabilities upon the successful implementation and completion of the Scheme will substantially improve the financial position of the Group and increase the likelihood and successfulness of engaging potential investors for investments in the Group.

The outstanding indebtedness of the Company included, but not limited to, (i) convertible bonds in the principal amount of approximately HK$945.2 million ("**Convertible Bonds**"); (ii) the interest accrued on the outstanding principal amount of the Convertible Bonds in the amount of approximately HK$62.2 million as at 22 August 2019, being the effective date of the Scheme (the "**Interest**"); and (iii) promissory notes in the principal amount of approximately HK$127.4 million ("**Promissory Notes**").

The Promissory Notes matured on 31 December 2018. The failure to repay the Promissory Notes on their maturity has led to cross default of the Convertible Bonds, notwithstanding the latter's maturity date on 31 December 2023. As such, the Company proposed to enter into and implement the Scheme to settle the aforesaid liabilities owed to the holders of the Convertible Bonds and the Promissory Notes (the "**Creditors**").

The Company filed with the Court of First Instance of the High Court of Hong Kong ("**Court**") seeking an order ("**Convening Order**") and the hearing at which such an order was considered to, (the "**Convening Hearing**") among other things, convene a meeting ("**Scheme Meeting**") which is to settle and discharge all liabilities under the Convertible Bonds and Promissory Notes issued by the Group with certain creditors. On 14 May 2019, the Court granted the Convening Order and the Scheme Meeting was held and approved by requisite statutory majorities of the Creditors on 28 June 2019. The Scheme was sanctioned by the Court at the Court Hearing held on 20 August 2019. The order of the Court sanctioning the Scheme has been registered with the Registrar of Companies on 22 August 2019. Accordingly, the Scheme has become effective on 22 August 2019.

The closing date of the Scheme took place on 25 October 2019 (the "**Closing Date**"). A total number of 1,418,478,995 Shares ("**Scheme Shares**") were allotted and issued to the Creditors at the price of HK$0.8 per share to settle the outstanding principal amount of the Convertible Bonds, Promissory Notes and Interest, accordingly.

Please refer to the announcements dated 10 January 2019, 15 May 2019, 4 June 2019, 14 June 2019, 28 June 2019, 4 July 2019, 20 August 2019, 29 August 2019, 25 October 2019 and the circular dated 11 July 2019.

OUTLOOK AND PROSPECT

Regarding the energy saving solutions business, 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. However, the Group is facing intensified competition in the industry, particularly for small and medium-sized projects. Macro-economic factors also fluctuate the market.

Going forward, the Weldtech Group will continue to target potential customers for buyout projects to improve cashflow of the Weldtech Group with shorter turnover days and explore secondary sales from existing customers, 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. The Weldtech Group will explore the feasibility to research and develop automation or energy saving systems platforms to customers in which such products would require relatively lower upfront capital deployment from the Weldtech Group.

The negative effect of the US-China trade war and the Virus are expected to affect the economic in 2020, which represent additional uncertainties in the operating environment in China. As far as the Group's businesses are concerned, customer demand, budget for capital expenditure are expected to be sallow; operational delays in terms of site visits, meetings and project implementation are noted due to the transportation restrictions during the period. The Group will take feasible and necessary measures to lower the impact from the economic downturn. However, management remains cautious for the year 2020.

Furthermore, the Group has been reviewing its existing operations from time to time and will continue to seek for different 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.

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 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 3 June 2019 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 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to outbreak of the Virus. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Ng Kay Kwok (the chairman of the Audit Committee), Mr. Choy Hiu Fai, Eric, 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 unaudited final results for the year ended 31 December 2019 of the Company have been reviewed by the Audit Committee.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
The Hong Kong Building and Loan Agency Limited
Chong Kok Leong
Executive Director

Hong Kong, 27 March 2020

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. Choy Hiu Fai, Eric, Mr. Huang Lizhi and Mr. Ng Kay Kwok being the independent non-executive Directors.