THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in The Hong Kong Building and Loan Agency Limited, you should at once hand this prospectus and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission and the Registrar of Companies in Hong Kong takes no responsibility for the contents of any of these documents.

Dealings in the securities of the Company may be settled through the Central Clearing and Settlement System. You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

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)

OPEN OFFER OF 562,500,000 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY FOUR SHARES HELD ON THE RECORD DATE WITH OPTION TO SUBSCRIBE FOR CONVERTIBLE BONDS

Underwriter

Fortune (HK) Securities Limited

The latest time for acceptance of, and payment for, the Offer Shares is 4:00 p.m. on Thursday, 29 April 2010. The procedures for acceptance of, and payment for, the Offer Shares are set out on pages 19 to 20 of this prospectus.

The Shares have been dealt with on an ex-entitlement basis commencing on Thursday, 8 April 2010. Such dealings in the Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. A person dealing in Shares on an ex-entitlement basis will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed.

The Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 6:00 p.m. on Monday, 3 May 2010 to terminate the Underwriting Agreement on the occurrence of certain events. These events are set out under the section headed "Termination of the Underwriting Agreement" on page 6 of this prospectus. If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Open Offer with the Option will not proceed.

Any persons contemplating any dealing in the Shares, who are in any doubt, are recommended to consult their professional advisers.

15 April 2010

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DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

"Announcement"	The announcement of the Company dated 24 March 2010 in relation to the Open Offer
"Application Form(s)"	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	The Hong Kong Building and Loan Agency Limited, a company incorporated under the laws of Hong Kong with limited liability
"Convertible Bonds"	the zero coupon convertible bonds due 31 December 2012 with an initial conversion price of HK$0.10 per Conversion Shares
"Conversion Shares"	new Shares to be allotted and issued on the exercise of the subscription rights attaching to the Convertible Bonds
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Third Party(ies)"	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules)
"Issue Date"	the day on which the Convertible Bonds is issued
"Last Trading Day"	19 March 2010, being the last trading day of the Shares on the Stock Exchange prior to the release of the Announcement
"Latest Practicable Date"	12 April 2010, being the latest practicable date prior to the printing of this prospectus for inclusion of certain information in this prospectus
"Latest Time for Acceptance"	4:00 p.m. on Thursday, 29 April 2010 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares
"Latest Time for Termination"	6:00 p.m. on the second Business Day after the Latest Time for Acceptance or such other time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer Share(s)"	562,500,000 new Shares proposed to be offered to the Qualifying Shareholders to subscribe pursuant to the Open Offer
"Option"	the (non-transferable) option offered to the Subscriber(s) and the Underwriter (if applicable by virtue of their taking up of any Underwritten Shares), to subscribe for the Convertible Bonds with a principal amount of equal or not more than 80% of the aggregate value of the Offer Shares allotted to the relevant Subscriber

"Option Holder(s)"	the holder of the Option
"Open Offer"	the proposed issue of the Offer Shares to the Qualifying Shareholders at the Subscription Price on the basis of one Offer Share for every four Shares held on the Record Date on the terms pursuant to the Prospectus Documents and the Underwriting Agreement and summarized in the Announcement
"Overseas Letter"	a letter from the Company to the Prohibited Shareholder(s) explaining the circumstances in which the Prohibited Shareholder(s) is/are not permitted to participate in the Open Offer
"Overseas Shareholder(s)"	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) as shown on such register is (are) outside Hong Kong
"Prohibited Shareholders"	Shareholder(s) whose names appear on the register of members of the Company on the Record Date and whose address(es) are in places outside Hong Kong and to whom the Directors are of the view that it would be necessary or expedient to exclude from the Open Offer on account either of the legal restrictions under the laws of the places of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place
"Prospectus"	the prospectus containing details of the Open Offer
"Prospectus Documents"	the Prospectus and the Application Form(s)
"Qualifying Shareholders"	the Shareholders other than the Prohibited Shareholders and whose names appear on the register of members of the Company on the Record Date
"Record Date"	14 April 2010

"Registrar"	Tricor Tengis Limited, the share registrar and transfer office of the Company
"SFC"	Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	existing issued share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber(s)"	the Qualifying Shareholders who has accepted and successfully subscribed the Offer Shares
"Subscription Price"	the subscription price of HK$0.10 per Offer Share pursuant to the Open Offer
"Underwriter"	Fortune (HK) Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities) regulated activity under the SFO, and an independent third party to the Company and its connected persons
"Underwriting Agreement"	the underwriting agreement dated 23 March 2010 entered into by the Underwriter and the Company in relation to the Open Offer
"Underwritten Shares"	562,500,000 Offer Shares
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"PRC"	the People's Republic of China
"%"	per cent.

EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. The expected timetable may be subject to change and any changes will be announced in separate announcement by the Company as and when appropriate.

	2010 *Hong Kong time*
Despatch of the Prospectus Documents	Thursday, 15 April
Latest time for payment for and acceptance of the Offer Shares	4:00 p.m. on Thursday, 29 April
Latest time for the Open Offer to become unconditional	4:00 p.m. on Monday, 3 May
Announcement of results of the Open Offer	Tuesday, 4 May
If the Open Offer is terminated, refund cheques to be despatched on or before	Wednesday, 5 May
Despatch of share certificates of the Offer Shares and despatch of option certificates	Wednesday, 5 May
Dealings in fully-paid Offer Shares commences	Friday, 7 May

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The Latest Time for Acceptance will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 29 April 2010. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 29 April 2010. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on 29 April 2010, the dates mentioned in the expected timetable above may be affected. An announcement will be made by the Company in such event advising the revised dates.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may, by notice in writing given to the Company on or before 6:00 p.m. on the second Business Day after the Latest Time for Acceptance, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter under the Underwriting Agreement in respect of the Underwriting Agreement if any of the following grounds of termination occur:

(a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Open Offer; or

(b) there shall be:

  (i) any new law or regulation enacted, or any change in existing laws or regulations or any change in the interpretation or application by any court or other competent authority, whether in Hong Kong or elsewhere;

  (ii) any change in local, national or international financial, political, industrial or economic conditions;

  (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;

  (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

  (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

  (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten Business Days (as defined in the Listing Rules) save for the clearance of the announcement of the Open Offer;

  (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

  which is or are, in the reasonable opinion of the Underwriter:–

    (a) likely to have a material adverse effect on the business, financial position or prospectus of the Group taken as a whole; or

    (b) likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares to be taken up; or

    (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer.

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)

Executive Directors:
Mr. Lau Yu Fung, Wilson
Mr. Chan Chun Wai
Mr. Au Tin Fung

Non-Executive Director:
Mr. Tang Yu Ming, Nelson *(Chairman)*

Independent Non-Executive Directors:
Mr. Chan Chi Yuen
Mr. Ng Cheuk Fan, Keith
Mr. So Yuen Chun

Registered office:
Room 3501
35th Floor China Online Centre
No. 333 Lockhart Road
Wanchai, Hong Kong

Head office and principal place of business in Hong Kong:
Room 3501
35th Floor China Online Centre
No. 333 Lockhart Road
Wanchai, Hong Kong

15 April 2010

To the Shareholders

Dear Sir or Madam,

OPEN OFFER OF 562,500,000 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY FOUR SHARES HELD ON THE RECORD DATE WITH OPTION TO SUBSCRIBE FOR CONVERTIBLE BONDS

INTRODUCTION

On 24 March 2010, the Board announced that the Company proposed to raise HK$56.25 million (before expenses and exercise of the Option) by way of an open offer of 562,500,000 Offer Shares at the Subscription Price of HK$0.10 per Offer Share, payable in full upon application, on the basis of one Offer Share for every four Shares held on the Record Date, with a further Option to subscribe for the Convertible Bonds convertible at the Subscription Price.

The Open Offer will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement.

The register of members of the Company was closed from 12 April 2010 to 14 April 2010 (both days inclusive). Based on the records of the share registrar of the Company, there were a total of 2,250,000,000 Shares in issue on the Record Date. Accordingly, the total number of the Offer Shares to be allotted and issued by the Company under the Open Offer will be 562,500,000 Offer Shares.

The purpose of this prospectus is to give the Shareholders further information, among other matters, on the Open Offer, the Option, the Convertible Bonds and the Underwriting Agreement.

THE OPEN OFFER

Issue statistics

Basis of the Open Offer:	One (1) Offer Share for every four (4) Shares held on the Record Date.
Subscription Price:	HK$0.10 for each Offer Share.
Number of Shares in issue as at the Record Date:	2,250,000,000 Shares.
The Option:	the non-transferable option offered to the Subscriber(s) and the Underwriter (if applicable by virtue of their taking up of any Underwritten Shares) to subscribe for the Convertible Bonds with a principal amount of equal or not more than 80% of the aggregate value of the Offer Shares allotted to the Subscriber.
The Convertible Bonds:	the zero coupon convertible bonds due 31 December 2012 with an initial conversion price of HK$0.10 per Conversion Share. The maximum number of the Conversion Shares is 450,000,000.

As at the Latest Practicable Date, the Company has no outstanding share options and other outstanding underlying securities that are convertible into Shares. The 562,500,000 Offer Shares to be allotted and issued under the Open Offer represents 25.0% of the issued share capital of the Company as at the Latest Practicable Date and 20.0% of the enlarged issued share capital of the Company immediately upon the allotment of the Offer Shares.

THE OPTION

The Qualifying Shareholders who have accepted and successfully subscribed the Offer Shares and the Underwriter (if applicable, by virtue of their taking up of any Underwritten Shares) are entitled to the Option. The following is a summary of the principal terms of the Option:

Rights of the Option:	An Option Holder is entitled to subscribe for the Convertible Bonds with a principal amount of equal or not more than 80% of the aggregate value of the Offer Shares allotted to the relevant Subscriber.
Transferability:	The Options are not capable of being assigned or transferred.
Exercise Period:	Option Holders may exercise their right to subscribe for the Convertible Bonds within 12 months from the date of granting of the Option.

THE CONVERTIBLE BONDS

The following is a summary of the principal terms of the Convertible Bonds:

Aggregate principal amount of the Convertible Bonds:	The Option Holders are entitled to exercise the Option to subscribe for Convertible Bonds at the maximum principal amount of HK$45,000,000.
Conversion Price:	The initial Conversion Price of HK$0.10 per Share was arrived at after arm's length negotiation between the Company and the Underwriter. The initial Conversion Price may be subject to adjustment for consolidation and subdivision, capitalization of profits or reserves, capital distributions, issue of Shares by way of rights, issue of other securities by way of rights, (including but not limited to the granting of options, warrants or other rights to subscribe for or purchase any securities), issue of Shares other than by way of rights (including but not limited to shares, options, warrants or other rights to subscribe for or purchase any securities), in case the issue price of new shares is less than 95% of the five-day average closing price before the date of public announcement of such issue or grant, issue of Shares upon conversion or exchange, modification rights of conversion or exchange and offers for Shares. The Company will instruct its auditor to certify in writing the adjustment (if any) made to the Conversion Price.

Conversion Shares:	a maximum of 450,000,000 Shares, which represents 20% of the issued share capital of the Company as at the date of the Announcement and approximately 13.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares and the Conversion Shares upon full conversion of the Convertible Bonds. The Conversion Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 7 May 2009. Under the general mandate, a maximum of 450,000,000 Shares may be issued by the Company. If the number of Conversion Shares exceeds 450,000,000 Shares after the adjustment of the Conversion Price, a specific mandate will be sought for in a general meeting.
Interest Rate:	The Convertible Bonds do not bear any interest.
Maturity Date:	31 December 2012
Redemption:	The Company shall in its sole and absolute discretion unilaterally determine whether to convert or redeem each and every Convertible Bond(s) at the Maturity Date.
Transferability:	The Convertible Bonds can be assigned and transferred to any third party. The Convertible Bonds may not be assigned or transferred to a connected person (as defined in the Listing Rules) of the Company without prior written consent of the Company and in compliance with the Listing Rules.
Conversion Period:	The period commencing from the Issue Date and ending on the date that falls on the tenth day immediately before the Maturity Date, both dates inclusive.
Security:	The Convertible Bonds are unsecured.
Status:	The Convertible Bonds constitute direct unsubordinated, unsecured and general obligations of the Company and rank at least *pari passu* and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other present and future unsubordinated and unsecured obligations of the Company.

Voting:	No holder of the Convertible Bonds will be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holder of the Convertible Bonds.
Limitation on Conversion:	The holder of the Convertible Bond shall not convert the Convertible Bond and the Company shall not issue any Conversion Shares if, upon such issue, (a) the holder of the Convertible Bonds and the parties acting in concert with it shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion, (b)(i) each of any of the shareholders holding more than 20% or more of the voting rights of the Company; and (ii) the holder of the Convertible Bonds and the parties acting in concert with it will hold 20% or more of the voting rights of the Company respectively.
Ranking:	The Conversion Shares will rank *pari passu* in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

THE UNDERWRITING AGREEMENT

Date:	23 March 2010
Underwriter:	Fortune (HK) Securities Limited, an Independent Third Party
Maximum Number of Offer Shares to be underwritten:	562,500,000 Offer Shares
Commission:	2.5% of the aggregate Subscription Price in respect of the 562,500,000 Offer Shares underwritten by the Underwriter

The underwriting commission was determined after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market rate. The Directors (including the independent non-executive Directors) considers the underwriting commission is fair and reasonable to the Company and the Shareholders as a whole.

Conditions of the Open Offer

Completion of the Open Offer is conditional upon the fulfillment of each of the following conditions:

(a) if required, the passing by the Shareholders at the general meeting of resolutions to approve, *inter alia*, the Open Offer and all transactions contemplated or incidental to the Underwriting Agreement and the implementation thereof, in accordance with the Listing Rules, the Takeover Code and all applicable laws, rules and regulations on or before the Record Date;

(b) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the relevant documents each duly certified by all Directors (or by their agents duly authorised in writing) in compliance with section 38D of the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules one Business Day before the date of the Prospectus;

(c) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped "For Information Only" to the Prohibited Shareholders, in each case, on the date of the Prospectus;

(d) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in (a) the Offer Shares, either unconditionally or subject to such conditions which the Underwriter in its opinion accepts and the satisfaction of such conditions (if any); (b) the Conversion Shares to be issued on conversion of all the Convertible Bonds; and (c) not having withdrawn or revoked such listing and permission on or before the date of dealing in the fully-paid Offer Shares;

(e) the obligations of the Underwriter not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement;

(f) the Shares remaining listed on the Stock Exchange at all times prior to the date of dealing in the fully-paid Offer Shares, and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than ten trading days (other than any suspension pending clearance of the announcement in relation to the Open Offer);

and so that in the event of the said conditions not being fulfilled before the respective dates aforesaid (or such later date or dates as may be agreed between the Company and the Underwriter) the Underwriting Agreement shall terminate and all obligations and liabilities of the parties shall forthwith cease and determine and no party shall have any claim against the others for costs, damages, compensation or otherwise (save for any antecedent breaches).

Neither the Company nor the Underwriter may waive any conditions above.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders, and will also send the Overseas Letter and copies of the Prospectus to the Prohibited Shareholders for their information only.

Rights of Prohibited Shareholders

The Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No persons receiving a copy of this Prospectus or the Application Form in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. It is the responsibility of Overseas Shareholders and any other person outside Hong Kong wishing to make an application for the Offer Shares to satisfy itself/himself/herself as to the observance of the laws and regulations of the relevant jurisdiction, including the obtaining of any government or other consents, and payment of any taxes and duties required to be paid in such jurisdiction in connection therewith.

Based on the register of members of the Company on the Record Date, there were a total five Overseas Shareholders, of whom, one had a registered address in Singapore, two had a registered address in Malaysia and two had a registered address in the United States of America ("**USA**"). The Directors have, in compliance with Rule 13.36 (2) (a) of the Listing Rules, sought legal advice regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange.

Based on the legal opinions provided by the legal advisers in the relevant jurisdictions, the Directors consider that the Offer Shares can be offered to the Overseas Shareholder whose registered address is in Singapore but not to those whose registered addresses are in the USA and Malaysia as there are no legal restrictions for the Company on offering of the Offer Shares and on posting of the Prospectus Documents to the Singapore Overseas Shareholder. Accordingly, the Singapore Overseas Shareholder will be considered as the Qualifying Shareholder.

For the Overseas Shareholders whose registered addresses are in the USA and Malaysia, the Directors are informed by the respective legal advisers that the Company will need to follow the requirements of the respective regulatory bodies for offering the Offer Shares to such Overseas Shareholders. After considering the legal costs and the time involved for compliance with the relevant requirements of the regulatory bodies in the USA and Malaysia, the Directors conclude that it would be expedient not to offer the Offer Shares to the Overseas Shareholders whose registered addresses are in the USA and Malaysia. Accordingly, the Overseas Shareholders in USA and Malaysia will be considered as the Prohibited Shareholders.

Subscription Price of the Offer Shares

The Subscription Price for the Offer Shares is HK$0.10 per Offer Share, payable in full upon application for the Offer Shares under the Open Offer. The net Subscription Price per Offer Share (after deducting the commission fees and other expenses) will be approximately HK$0.096. The Subscription Price represents:

(i) a discount of approximately 64.28% to the closing price of HK$0.28 per Share as quoted on the Stock Exchange on 19 March 2010, being the Last Trading Day;

(ii) a discount of approximately 59.02% to the theoretical ex-entitlements price of approximately HK$0.244 per Share based on the closing price of HK$0.28 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 62.12% to the average closing price of approximately HK$0.264 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 61.68% to the average closing price of approximately HK$0.261 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; and

(v) a discount of approximately 53.49% to the closing price of HK$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the net asset value per Share of HK$0.102 based on the consolidated audited accounts of the Company as at 31 December 2008. The Directors consider the discount on the Subscription Price, as compared to the recent market prices, could enhance the attractiveness of the Open Offer to the Shareholders. Meanwhile, each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. Accordingly, the Directors (including the independent non-executive Directors) consider that terms of the Open Offer (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares, when fully paid, shall rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment of the Offer Shares, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.

Certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer", share certificates for the Offer Shares together with option certificates for the Option will be despatched by ordinary post to the registered addresses of those Qualifying Shareholders who have validly applied and fully paid for the Offer Shares at their own risks.

Fractions of the Offer Shares

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Odd lots arrangements

The Company will not procure an agent to arrange for odd lots matching service.

Application for excess Offer Shares

Excess application of the Offer Shares will not be available.

APPLICATION FOR LISTING OF THE OFFER SHARES AND THE CONVERSION SHARES

The Company will apply to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and the Conversion Shares. No application will be made for the listing of the Option and the Convertible Bonds on the Stock Exchange or any other stock exchange.

The Offer Shares shall have the same board lot size of 8,000 Shares per board lot. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had an issued share capital of HK$225,000,000 comprising of 2,250,000,000 Shares.

Accordingly, the number of Offer Shares to be issued under the Open Offer will be 562,500,000 Offer Shares.

Set out below is the shareholding structure of the Company:

	Immediately before completion of the Open Offer		Immediately upon completion of the Open Offer assuming none of the Qualifying Shareholders take up their respective entitlement		Immediately upon completion of the Open Offer assuming none of the Qualifying Shareholders take up their respective entitlement and full conversion of the Convertible Bonds by the Underwriter *(for illustration purpose only)*		Immediately upon completion of the Open Offer assuming all Qualifying Shareholders fully take up their respective entitlement		Immediately upon completion of the Open Offer assuming all Qualifying Shareholders fully take up their respective entitlement and full conversion of the Convertible Bonds	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
The Underwriter	–	–	562,500,000	20.00	1,012,500,000	31.03	–	–	–	–
Substantial shareholder:										
Tang Yu Ming, Nelson	688,250,000	30.58	688,250,000	24.47	688,250,000	21.10	860,312,500	30.58	997,962,500	30.58
Public Shareholders:	1,561,750,000	69.42	1,561,750,000	55.53	1,561,750,000	47.87	1,952,187,500	69.42	2,264,537,500	69.42
Total	2,250,000,000	100.00	2,812,500,000	100.00	3,262,500,000	100.00	2,812,500,000	100.00	3,262,500,000	100.00

Note:

The Underwriter undertakes to the Company that: (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the Underwriter in respect of performing its/their obligations under the Underwriting Agreement; and (ii) none of the Underwriter and the Subscribers procured by them will be a substantial Shareholder holding 10% or more shareholding in the Company.

REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS

The estimated amount of expenses of the issue and of the application for listing of the Offer Shares is HK$2.4 million. The estimated net proceeds from the Open Offer will be approximately HK$54 million (after deducting the commissions and expenses in relation to the Open Offer). Assuming full exercise of the Option, an additional HK$45 million (before expenses) will be raised.

As at the Latest Practicable Date, the Company has no identified use for the proceeds from the Open Offer and the exercise of the Option. The Board intends to apply the proceeds from the Open Offer and from the exercise of the Option for general working capital and for future development of the business. As at the Latest Practicable Date, the Board has not yet identified any investment opportunities or developed any concrete investment business plans.

The Board considers that the Open Offer will provide an equal opportunity to all Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the growth and development of the Company. The Option to further subscribe the Convertible Bonds provides the Shareholders with the advantage of possible future investment in the Company while minimizing the investment risk by an option to redeem the Convertible Bonds at maturity. Accordingly, the Directors consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Board confirms that the Company has not received any information from any substantial shareholders of their intention to take up the securities offered to them.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company and its subsidiaries are principally engaged in investment holding, treasury investments and the provision of mortgage finance and other related services.

The competition in mortgage finance market remained keen and interest margin continued to stay low as the property transaction volume was affected by the fluctuations in interest rates in the market.

The Group continues to maintain its traditional principal activities after the takeover by new management in 2009. However, the management is conducting a review on the business operations and financial position of the Group, with a view to formulating a business plan and strategy suitable for the Group. Reference is made to the announcement of the Company dated 9 November 2009 in relation to the entering of a memorandum of understanding and advance to an entity for the possible transaction regarding credit guarantee business in the PRC. Reference is also made to an announcement dated 18 December 2009 published by the Company in relation to a supplemental memorandum of understanding. The advance of HK$58,000,000 has been refunded to the Company and after the review of the target business, it was decided that such possible transaction will not proceed. The management will keep evaluating all and any other options, including but not limited to expanding the current financial services business of the Group, commencing real estate development business or expanding into other businesses on an opportunistic basis.

FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

There were no fund raising activities conducted by the Company during the past 12 months immediately preceding the Latest Practicable Date.

WARNING OF THE RISKS OF DEALING IN SHARES

The Shares have been dealt with on an ex-entitlement basis commencing on Thursday, 8 April 2010. Such dealings in the Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. A person dealing in Shares on an ex-entitlement basis will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed.

The Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 6:00 p.m. on Monday, 3 May 2010 to terminate the Underwriting Agreement on the occurrence of certain events. These events are set out under the section headed "Termination of the Underwriting Agreement". If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Open Offer with the Option will not proceed.

Any persons contemplating any dealing in the Shares, who are in any doubt, are recommended to consult their professional advisers.

PROCEDURE FOR APPLICATION AND PAYMENT

For each Qualifying Shareholder, the Application Form is enclosed with this prospectus which entitles you to subscribe for the number of the Offer Shares shown therein.

If you wish to exercise your right to subscribe for all number of the Offer Shares in your assured entitlement of Offer Shares to which you are entitled, you must lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Thursday, 29 April 2010. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "THE HONG KONG BUILDING AND LOAN AGENCY LIMITED — OPEN OFFER ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the duly completed the Application Form, together with the appropriate remittance, has been lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Thursday, 29 April 2010, the Application Form and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed for acceptance of the whole or part of your assured entitlement of the Offer Shares.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any Application Form in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant assured entitlement of Offer Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriting Agreement is terminated before the Latest Time for Termination, the Open Offer will not proceed and the monies received in respect of acceptances of the Offer Shares without interest will be returned to the Qualifying Shareholders, by means of cheques crossed "ACCOUNT PAYEE ONLY" to be despatched by ordinary post to their registered addresses and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members of the Company at their own risk on or before Wednesday, 5 May 2010.

The Application Form is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any application monies received.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully,
For and on behalf of the Board
The Hong Kong Building and Loan Agency Limited
Au Tin Fung
Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the financial information of the Group for the three financial years ended 31 December 2009 as extracted from the respective annual reports of the Company.

The auditors' opinion as set out in the annual reports of the Company for each of the three years ended 31 December 2009 was unqualified.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	3,845	7,553	11,556
Interest income	3,815	7,129	8,672
Fair value changes on financial assets at fair value through profit or loss			
– designated at fair value through profit or loss	12,614	–	–
– held for trading	(2,682)	(2,106)	(332)
Realised gain on available-for-sale investments	1,574	22	2
Dividend income	30	424	2,884
Other income	98	73	–
Operating expenses	(11,920)	(6,589)	(11,321)
Net exchange loss	(106)	(333)	(4)
Profit (Loss) before taxation	3,423	(1,380)	(99)
Taxation	(39)	(85)	(2,612)
Profit (Loss) for the year	3,384	(1,465)	(2,711)
Other comprehensive income (expense)			
Fair value change on available-for-sale investments	699	807	90
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments	(1,574)	(22)	–
Other comprehensive (expense) income for the year	(875)	785	90
Total comprehensive income (expense) for the year	2,509	(680)	(2,621)
Profit (loss) for the year attributable to the owners of the Company	3,384	(1,465)	(2,711)
Total comprehensive income (expense) attributable to the owners of the Company	2,509	(680)	(2,621)
	HK cents	*HK cents*	*HK cents*
Earnings/(Loss) per share			
Basic	0.15	(0.07)	(1.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Equipment	184	114	143
Mortgage loans	68,268	7,863	4,142
Available-for-sale investments	–	39,179	42,480
	68,452	47,156	46,765
CURRENT ASSETS			
Mortgage loans	1,562	2,145	3,186
Financial assets at fair value through profit or loss	109,941	40,256	8,024
Loan receivable	10,000	–	–
Prepayments and other receivables	19,350	18,300	3,860
Tax recoverable	127	–	–
Bank balances	23,004	122,507	169,198
	163,984	183,208	184,268
CURRENT LIABILITIES			
Other payables and accruals	1,347	1,699	1,773
Tax payable	–	85	–
	1,347	1,784	1,773
NET CURRENT ASSETS	162,637	181,424	182,495
	231,089	228,580	229,260
CAPITAL AND RESERVES			
Share capital	225,000	225,000	225,000
Reserves	6,089	3,580	4,260
	231,089	228,580	229,260

2. AUDITED FINANCIAL INFORMATION

The following is the audited consolidated financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	3,845	7,553
Interest income		3,815	7,129
Fair value changes on financial assets at fair value through profit or loss			
– designated at fair value through profit or loss		12,614	–
– held for trading		(2,682)	(2,106)
Realised gain on available-for-sale investments		1,574	22
Dividend income		30	424
Other income		98	73
Operating expenses		(11,920)	(6,589)
Net exchange loss		(106)	(333)
Profit (Loss) before taxation	7	3,423	(1,380)
Taxation	8	(39)	(85)
Profit (Loss) for the year		3,384	(1,465)
Other comprehensive income (expense)			
Fair value change on available-for-sale investments		699	807
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		(1,574)	(22)
Other comprehensive (expense) income for the year		(875)	785
Total comprehensive income (expense) for the year		2,509	(680)
Profit (loss) for the year attributable to the owners of the Company		3,384	(1,465)
Total comprehensive income (expense) attributable to the owners of the Company		2,509	(680)
		HK cents	HK cents
Earnings/(Loss) per share Basic	12	0.15	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Equipment	*13*	184	114
Mortgage loans	*14*	68,268	7,863
Available-for-sale investments	*17*	–	39,179
		68,452	47,156
CURRENT ASSETS			
Mortgage loans	*14*	1,562	2,145
Financial assets at fair value through profit or loss	*16*	109,941	40,256
Loan receivable	*18*	10,000	–
Prepayments and other receivables		19,350	18,300
Tax recoverable		127	–
Bank balances	*19*	23,004	122,507
		163,984	183,208
CURRENT LIABILITIES			
Other payables and accruals		1,347	1,699
Tax payable		–	85
		1,347	1,784
NET CURRENT ASSETS		162,637	181,424
		231,089	228,580
CAPITAL AND RESERVES			
Share capital	*20*	225,000	225,000
Reserves		6,089	3,580
		231,089	228,580

STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Equipment	13	183	110
Mortgage loans	14	84	148
Available-for-sale investments	17	–	39,179
Amount due from subsidiaries	25	65,000	–
Investments in subsidiaries	24	152	152
		65,419	39,589
CURRENT ASSETS			
Mortgage loans	14	59	57
Financial assets at fair value through profit or loss	16	45,520	40,256
Amounts due from subsidiaries	25	77,910	12,015
Loan receivable	18	10,000	–
Prepayments and other receivables		18,739	18,234
Bank balances	19	20,574	119,908
		172,802	190,470
CURRENT LIABILITIES			
Other payables and accruals		1,289	1,673
NET CURRENT ASSETS		171,513	188,797
		236,932	228,386
CAPITAL AND RESERVES			
Share capital	20	225,000	225,000
Reserves	21	11,932	3,386
		236,932	228,386

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company			
	Share capital	**Investment revaluation reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	225,000	90	4,170	229,260
Loss for the year	–	–	(1,465)	(1,465)
Other comprehensive income for the year	–	785	–	785
Total comprehensive income (expense) for the year	–	785	(1,465)	(680)
At 1 January 2009	225,000	875	2,705	228,580
Profit for the year	–	–	3,384	3,384
Other comprehensive expense for the year	–	(875)	–	(875)
Total comprehensive (expense) income for the year	–	(875)	3,384	2,509
At 31 December 2009	225,000	–	6,089	231,089

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
OPERATING ACTIVITIES		
Profit (Loss) before taxation	3,423	(1,380)
Adjustments for:		
Dividend income	(30)	(424)
Depreciation	52	47
(Write back) charge of impairment allowances on mortgage loans	(52)	24
Realised gain on available-for-sale investments	(1,574)	(22)
Unrealised exchange loss of financial assets	–	333
Operating cash flows before movements in working capital	1,819	(1,422)
(Increase)/decrease in mortgage loans	(59,770)	(2,704)
(Increase)/decrease in financial assets at fair value through profit or loss	(69,685)	(32,464)
Increase in loan receivable	(10,000)	–
Increase in prepayments and other receivables	(1,050)	(14,614)
(Increase)/decrease in other payables and accruals	(352)	(75)
	(139,038)	(51,279)
Dividend received	30	424
Income tax paid	(251)	–
NET CASH FLOW USED IN OPERATING ACTIVITIES	(139,259)	(50,855)
CASH GENERATED FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(122)	(18)
Principal repayment of available-for-sale investments	6,423	4,185
Net sale proceeds from disposal of available-for-sale investments	33,455	–
NET CASH FLOW FROM INVESTING ACTIVITIES	39,756	4,167
DECREASE IN CASH AND CASH EQUIVALENTS	(99,503)	(46,688)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	122,507	169,198
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	–	(3)
CASH AND CASH EQUIVALENTS AT 31 December represented by		
Bank balances	23,004	122,507

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. General

The Company is a limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Rm. 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong. The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company. The principal activities of the Company and its subsidiaries are investment holding, treasury investments and the provision of loan financing and other related services.

In the opinion of the Directors, the immediate holding company of the Company is Island New Finance Limited and the ultimate holding company of the Company is Hyde Park Group Limited, both of them are companies incorporated in the British Virgin Islands with limited liability.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments

HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendment)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendment)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) Presentation of Financial Statements

The Group adopted HKAS 1 (revised 2007) which introduced a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements.

HKFRS 8 Operating Segments

The Group adopted HKFRS 8 which is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 *(see note 6)*.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The Group adopted the amendments to HKFRS 7 which expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]

HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instrument[5]

1 *Effective for annual periods beginning on or after 1 July 2009.*

2 *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*

3 *Effective for annual periods beginning on or after 1 January 2010.*

4 *Effective for annual periods beginning on or after 1 February 2010.*

5 *Effective for annual periods beginning on or after 1 July 2010.*

6 *Effective for annual periods beginning on or after 1 January 2011.*

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

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The adoption of HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. Significant accounting policies

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (or its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) interest income from a financial asset including financial assets at fair value through profit and loss and available-for-sale investments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable;

(ii) dealings in financial assets at fair value through profit or loss are recognised on a trade date basis when the relevant contract notes are exchanged; and

(iii) dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Equipment

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currency are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit and loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

The financial assets at FVTPL of the Group and the Company comprise financial assets held-for-trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including mortgage loans, loan receivable, amount due from subsidiaries, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group classified its investment in debt securities as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial assets are disposed of or are determined to be impaired, at which time, the cumulative gains or losses previously accumulated in investment revaluation reserve are reclassified to profit or loss (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impaired.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as mortgage loans, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of mortgage loans and loan receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, representing other payables, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Operating leases

Rentals payable under operating leases are recognised as an expense on the straight-line basis over term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. Key source of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Taxation

At 31 December 2009, no deferred tax assets have been recognised in the Group's and the Company's statements of financial position in relation to unused tax losses due to unpredictability of future assessable profit streams. The estimated unused tax losses of the Group and the Company amounted to HK$56,812,000 and HK$50,597,000 (2008: HK$53,690,000 and HK$53,690,000) respectively. In cases where the actual future assessable profits generated are more than expected, deferred tax asset may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Impairment allowances on mortgage loans and loan receivable

The Group and the Company has established impairment allowances in respect of estimated incurred loss in mortgage loans and loan receivable. The allowances of mortgage loans, which are set out in note 15 to the financial statements, consist of individual impairment allowances and collective impairment allowances.

In determining individual impairment allowances, management considers objective evidence of impairment. When a loan is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The quantum of the allowance is also impacted by the collateral value and this, in turn, may be discounted in certain circumstances to recognise the impact of forced sale or quick liquidation.

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio adjusted for current conditions.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at 31 December 2009, the details of mortgage loans and loan receivable are disclosed in notes 14 and 18 respectively.

Fair value of illiquid financial instruments

There are no active markets for the following financial assets, namely, over-the-counter structured secured loan and convertible bond valued at approximately HK$26,000,000 and HK$19,500,000 respectively. Accordingly, their fair values are determined using valuation techniques. To the extent practical, management uses generally accepted pricing model based on discounted cash flow analysis and recent transaction price to determine their fair values. Changes in assumptions used in these models could affect the reported fair values of these financial instruments.

5. Revenue

Revenue represents interest income from loan financing and interest income and dividend income from treasury investments.

An analysis of the revenue of the Group by principal activity is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Loan financing:		
Interest on mortgage loans	1,579	1,779
Interest on loan receivable	115	–
Treasury investments:		
Interest on bank deposits	454	3,111
Interest on available-for-sale investments	1,422	2,230
Interest on held-for-trading investments	43	9
Interest on financial assets designated at fair value through profit or loss	202	–
Dividend income from equity securities listed in Hong Kong	30	424
	3,845	7,553

6. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors, in order to allocate resources to segments and to assess their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption HKFRS 8 changed the basis of measurement of segment profit or loss.

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

	2009		
	Loan financing *HK$'000*	**Treasury investments** *HK$'000*	**Total** *HK$'000*
Revenue	1,694	2,151	3,845
Segment profit	1,665	13,263	14,928
Central administration costs			(11,505)
Profit before taxation			3,423
Taxation			(39)
Profit for the year			(3,384)
Segment assets	82,506	149,036	231,542
Unallocated assets			894
Total assets			232,436
Other information:			
Interest income	1,694	2,121	3,815
Write back of impairment allowances on mortgage loans	52	–	52
Net exchange loss	–	(106)	(106)
Fair value changes on financial assets at fair value through profit or loss	–	9,932	9,932

	2008		
	Loan financing	**Treasury investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,779	5,774	7,553
Segment profit	1,361	3,356	4,717
Central administration costs			(6,097)
Loss before taxation			(1,380)
Taxation			(85)
Loss for the year			(1,465)
Segment assets	12,541	217,268	229,809
Unallocated assets			555
Total assets			230,364
Other information:			
Interest income	1,779	5,350	7,129
Impairment allowances on mortgage loans	(24)	–	(24)
Net exchange loss	–	(333)	(333)
Taxation	85	–	85
Fair value changes on financial assets at fair value through profit or loss	–	(2,106)	(2,106)

During the current and prior years, there were no inter-segment transactions.

Segment profit represents the pre-tax profit earned by each segment without allocation of central administration costs such as director's emoluments, staff salaries, operating lease rentals, legal and professional fees. This is the measure reported to board of directors for the purposes of resource allocation and performance assessment.

Segment assets represents the assets allocated to reportable segments other than fixed assets, prepayments, tax recoverable and certain bank balances.

There is no segment liability as at 31 December 2009 and 2008.

The Group's operations are based in Hong Kong and the Group's revenue is derived from customers and counterparties located in Hong Kong.

7. Profit (loss) before taxation

Profit (Loss) before taxation has been arrived at after charging (crediting):

	2009	**2008**
	HK$'000	*HK$'000*
Employee benefits expense (including Directors' emoluments: *(note 9)*		
Wages, salaries and bonus	4,603	2,794
Retirement benefit costs *(note 28)*	43	34
	4,646	2,828
Depreciation	52	47
Auditor's remuneration	380	460
Operating lease payments	922	85
(Write back) charge of impairment allowances on mortgage loans	(52)	24
Legal and professional fees	2,603	1,365

8. Taxation

	2009	2008
	HK$'000	*HK$'000*
Hong Kong		
– Current tax	33	85
– Underprovision in prior years	6	–
Charge for the year	39	85

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) before taxation	3,423	(1,380)
Tax at the domestic income tax rate of 16.5%	565	(228)
Tax effect of income not taxable for tax purpose	(1,331)	(1,310)
Tax effect of expenses not deductible for tax purpose	284	82
Utilisation of tax losses previously not recognised	(510)	–
Tax effect of tax loss not recognised	1,025	1,541
Underprovision in prior years	6	–
Tax charge for the year	39	85

9. Directors' emoluments

The emoluments paid or payable to each of the 13 (2008: 7) Directors were as follows:

2009	Mr. John Zwaanstra*	Mr. John Pridjian*#	Mr. Todd David Zwaanstra*	Mr. Jonathon Jarrod Lawless*	Mr. Alan Howard Smith, *J.P.**##	Mr. Stephen King Chang-Min*##	Mr. Patrick Smulders*##	Mr. Tang Yu Ming, Nelson**	Mr. Au Tin Fung***	Mr. Chan Chun Wai**	Mr. Lau Yu Fung, Wilson**	Mr. Chan Chi Yuen**	Mr. Yu Kam Kee Lawrence**	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	–	–	119	11	–	–	49	33	212
Others emoluments														
Salaries and other benefits	–	–	–	–	–	–	–	–	100	129	129	–	–	358
Contribution to pension schemes	–	–	–	–	–	–	–	–	3	3	3	–	–	9
Total emolument	–	–	–	–	–	–	–	119	114	132	132	49	33	579
Payment paid to former director for loss of office	–	249	–	–	200	200	200	–	–	–	–	–	–	849
	–	249	–	–	200	200	200	119	114	132	132	49	33	1,428

2008	Mr. John Zwaanstra*	Mr. John Pridjian*#	Mr. Todd David Zwaanstra*	Mr. Jonathon Jarrod Lawless*	Mr. Alan Howard Smith, *J.P.**##	Mr. Stephen King Chang-Min*##	Mr. Patrick Smulders*##	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	100	100	100	300
Others emoluments								
Salaries and other benefits	–	–	–	–	–	–	–	–
Contribution to pension schemes	–	–	–	–	–	–	–	–
Total emolument	–	–	–	–	100	100	100	300
	–	–	–	–	100	100	100	300

There were no arrangements under which a Director waived or agreed to waive any emoluments.

* *The Directors resigned during the year 2009.*

** *The Directors were appointed during the year 2009.*

*** *Mr. Au Tin Fung was appointed as Independent Non-Executive Director on 2 October 2009 and re-designated as Executive Director on 23 October 2009.*

The Company paid HK$249,000 to Mr. John Pridjian for termination of his services with the Company.

In connection with the termination of office as Director, the Company paid HK$200,000 to each of the former independent non-executive Directors.

10. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2008: two) were Directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining three (2008: three) individuals were as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Basic salaries, bonus, allowances and benefits in kind	2,601	2,401
Retirement benefit costs	27	33
	2,628	2,434

Their emoluments were within the following bands:

	2009	**2008**
	Number of employees	*Number of employees*
Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	1	–

11. Dividends

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

12. Earnings (loss) per share – basic

Basic earnings (loss) per share is calculated based on the profit (loss) for the year attributable to owners of the Company of HK$3,384,000 (2008: Loss of HK1,465,000) and on 2,250,000,000 (2008: 2,250,000,000) ordinary shares in issue during the year after adjusting the effect of Share Subdivision as per note 30 to the consolidated financial statement herein.

No diluted earnings (loss) per share is presented as there were no potential ordinary shares in issue during both years.

13. Equipment

	The Group Furniture and equipment *HK$'000*
COST	
At 1 January 2008	173
Additions	18
At 31 December 2008 and 1 January 2009	191
Additions	122
At 31 December 2009	313
DEPRECIATION	
At 1 January 2008	30
Provided for the year	47
At 31 December 2008 and 1 January 2009	77
Provided for the year	52
At 31 December 2009	129
CARRYING AMOUNT	
At 31 December 2009	184
At 31 December 2008	114

Furniture and equipment are depreciated on a straight-line basis at 20% to $33^1/_3$% per annum.

	The Company Furniture and equipment *HK$'000*
COST	
At 1 January 2008	161
Additions	18
At 31 December 2008 and 1 January 2009	179
Additions	122
At 31 December 2009	301
DEPRECIATION	
At 1 January 2008	25
Provided for the year	44
At 31 December 2008 and 1 January 2009	69
Provided for the year	49
At 31 December 2009	118
CARRYING AMOUNT	
At 31 December 2009	183
At 31 December 2008	110

Furniture and equipment are depreciated on a straight-line basis at 20% to $33^{1}/_{3}$% per annum.

14. Mortgage loans

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Fixed-rate loan receivables	3,326	7,057
Variable-rate loan receivables	66,504	2,951
	69,830	10,008
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the reporting date)	1,562	2,145
Non-current assets (receivable after 12 months from the reporting date)	68,268	7,863
	69,830	10,008

Included in the variable-rate loan receivables is a mortgage loan to a customer amounting to HK$65,000,000. The loan bears variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited. The loan matures in January 2011.

The credit quality of the loan is satisfactory as the market value of pledged properties at the end of the reporting period (net of mortgage with higher priority than the Group) is higher than the outstanding amount.

Fixed-rate loan receivables and other variable-rate loan receivables are secured by mortgage properties and bear interest at market interest rates.

Balance of mortgage loans at 31 December 2009 is net of accumulated impairment allowances of approximately HK$168,000 (2008: HK$220,000).

The maturity profile of mortgage loans, net of impairment allowances, at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	757	937
Between 3 months and 1 year	805	1,208
Between 1 and 5 years	67,830	5,998
After 5 years	438	1,865
	69,830	10,008

Before accepting any new customer, the Group uses internal assessment system to assess the potential customer's credit quality and defines credit limits by customer. The mortgage loans that are neither past due nor impaired have timely repayment of principal and interest.

The ageing of mortgage loans, net of impairment allowances, which are past due but not impaired, at the end of the reporting period is analysed as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within 3 months	468	563

The fair value of the Group's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the reporting date, approximates to the carrying amount of mortgage loans.

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Variable-rate loan receivables	143	205
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the end of reporting period)	59	57
Non-current assets (receivable after 12 months from the end of reporting period)	84	148
Variable-rate loan receivables	143	205

Variable-rate loan receivables are secured by mortgage properties and bear interest at market interest rates.

Balance of mortgage loans at 31 December 2009 is net of accumulated impairment allowances of HK$Nil (2008: HK$Nil).

The maturity profile of variable-rate mortgage loans, net of impairment allowances, at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	11	10
Between 3 months and 1 year	48	47
Between 1 and 5 years	84	148
	143	205

Before accepting any new customer, the Company uses internal assessment system to assess the potential customer's credit quality and defines credit limits by customer. The mortgage loans that are neither past due nor impaired have timely repayment of principal and interest.

There are no past due but not impaired mortgage loans at the end of the reporting period.

The fair value of the Company's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the reporting date, approximates the carrying amount of the mortgage loans.

15. Impairment allowances on mortgage loans

	The Group		
	Impairment allowances		
	Individual	**Collective**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	–	196	196
Charge during the year	–	24	24
At 31 December 2008 and 1 January 2009	–	220	220
Write back during the year	–	(52)	(52)
At 31 December 2009	–	168	168

	The Company		
	Impairment allowances		
	Individual	**Collective**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	–	40	40
Written back during the year	–	(40)	(40)
At 31 December 2008 and 1 January 2009	–	–	–
Written back during the year	–	–	–
At 31 December 2009	–	–	–

Individual impairment is made when the mortgage loan borrower is unable to repay the principal on time and the present value of the collateral held by the Group and the Company is not sufficient to cover the carrying amount of the loan.

In addition to conducting individual assessment of impairment, the Group and the Company have also carried out collective assessment. Mortgage loan impairment allowances were made on a collective basis with reference to historical loss experience.

16. Financial assets at the fair value through profit or loss

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	64,421	3,859
Convertible bonds	19,520	36,397
	83,941	40,256
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	26,000	–
	109,941	40,256

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	–	3,859
Convertible bonds	19,520	36,397
	19,520	40,256
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	26,000	–
	45,520	40,256

The fair value of the listed equity securities was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

In October 2009, the Company purchased a convertible zero coupon bond issued by a company listed on the Hong Kong Stock Exchange (the "issuer") with a principal amount US$10 million.

The convertible bond is unlisted and was convertible at the option of the bondholder(s), at any time up to and including 4 February 2011, into existing shares of a subsidiary of the issuer.

The directors are of the view that the fair value as at 31 December 2009 approximate to the cost of the convertible bond since it is considered as a recent transaction. The cost also approximates the bid indicative price as at 31 December 2009 provided by a financial institution.

Subsequent to the reporting date, half of the investment in the convertible bond has been disposed of at a consideration of HK$11,661,000.

During the year, the Company purchased a structured secured loan issued by a listed company in Hong Kong from a secondary market prior to its Initial Public Offering in the Stock Exchange of Hong Kong. The structured secured loan entitled the Company to a guaranteed interest return on the principal if the Initial Public Offering was successful and a put option to request the issuer to redeem the loan at a fixed amount, if the Initial Public Offering was not successful. The final maturity date of the loan is 31 October 2010. The structured secured loan is denominated in USD and carries interest rate above the LIBOR rate.

Upon the successful Initial Public Offering of the issuer of the structured secured loan, the Company received the guaranteed interest return and the put option expired. As at 31 December 2009, only the loan principal component remained outstanding. The fair value of the loan which approximate to its principal amount, is based on valuation techniques using inputs derived mainly from observable market data.

Subsequent to the reporting date, the outstanding Structured Secured Loan was fully settled.

As at 31 December 2008, the Company held convertible bonds with zero coupon, or with coupon rates ranging from 1% to 2%. The equity conversion options attached to the convertible bonds were embedded derivatives granting the right to the Company to convert the debt securities into equity shares of the issuer before maturity. The fair value of the convertible bonds was determined based on the market prices obtained from brokers and with reference to those of price servicing agencies. The carrying amount of the convertible bonds at 31 December 2008, amounting to HK$5,371,000, HK$16,144,000 and HK$9,001,000 were denominated in United State Dollars ("USD"), Singapore Dollars ("SGD") and Chinese Renminbi Yuan ("RMB"), respectively. These investments were all disposed of during the year.

17. Available-for-sale investments

Available-for-sale investments include:

	The Group and the Company	
	2009	**2008**
	HK$'000	*HK$'000*
Mortgage-backed securities quoted in the United States of America	–	39,179

As at 31 December 2008, the available-for-sale investments are denominated in USD. The underlying assets of the securities are pooled residential mortgages located in the United States of America. The fair value of the above available-for-sale investments is based on the market prices obtained from brokers and with reference to those of price servicing agencies. The contractual interest rate of the available-for-sale investments was 5.5% per annum and with a maturity date of February 2035. The available-for-sale investments were disposed of during the year.

18. Loan Receivable

Amount represent a bridging loan denominated in HKD which is unsecured, carries fixed interest rate of 8% and is repayable on demand. The loan was fully repaid after the reporting date.

19. Bank balances

The amounts comprise bank balances held by the Group and the Company and short-term bank deposits at market interest rates with an original maturity of three months or less. The fair value of these assets approximates the corresponding carrying amount. The carrying amount of bank balances at 31 December, 2009, amounting to HK$2,190,000 (2008: HK$17,545,000), are denominated in USD.

20. Share capital of the company

	2009 & 2008
	HK$'000
Authorised:	
300,000,000 ordinary shares of HK$1.00 each	300,000
Issued and fully paid:	
225,000,000 ordinary shares of HK$1.00 each	225,000

21. Reserves

	The Company		
	Investment revaluation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	90	5,160	5,250
Loss for the year	–	(2,649)	(2,649)
Fair value changes of available-for-sale investments directly recognised in equity	807	–	807
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments	(22)	–	(22)
At 31 December 2008 and 1 January 2009	875	2,511	3,386
Profit for the year	–	9,421	9,421
Fair value changes of available-for-sale investments directly recognised in equity	699	–	699
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments	(1,574)	–	(1,574)
At 31 December 2009	–	11,932	11,932

22. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and retained profits. The management reviews the capital structure by considering the cost of capital. In view of this, the Group manages its overall capital structure through monitoring the cash level, payment of dividends and issuance of share capital if the need arise.

23. Financial instruments

(A) Categories of financial instruments

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	–	39,179
Fair value through profit or loss	109,941	40,256
Loans and receivables (including cash and cash equivalents)	121,958	150,506

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Financial liabilities		
Amortised cost	1,281	1,681

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	–	39,179
Fair value through profit or loss	45,520	40,256
Loans and receivables (including cash and cash equivalents)	192,141	150,054
Financial liabilities		
Amortised cost	1,240	1,673

(B) Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. These risks include market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose them primarily to the financial risks of change in foreign currency exchange rates, interest rates and prices of held-for-trading equity investments and available-for-sale equity investments.

Foreign currency risk management

The Group and the Company have foreign currency denominated bank balances, available-for-sale investments, financial assets at FVTPL and other receivables, which expose the Group and the Company to foreign currency risk.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets at the reporting date are as follows:

	The Group and the Company	
	2009	**2008**
	HK$'000	*HK$'000*
USD	47,822	62,595
SGD	–	16,144
RMB	–	9,001

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in USD, SGD and RMB.

The following table details the Group's and the Company's sensitivity to a 5% (2008: 5%) increase/decrease in the HKD against SGD and RMB and 1% (2008: 1%) increase/decrease in HKD against USD. A sensitivity rate of 1% for USD is used due to the fact that the HKD is pegged with the USD under the linked exchange rate system in Hong Kong. 5% and 1% are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes outstanding foreign currency denominated monetary assets. A positive number below indicates an increase in profit before tax (2008: decrease in loss before tax) where the HKD weakens 5% (2008: 5%) against SGD and RMB and 1% (2008: 1%) against the USD. For a 5% (2008: 5%) strengthening of the HKD against the SGD and RMB and a 1% (2008: 1%) strengthening of the HKD against the USD, there would be an equal and opposite impact on the profit or loss before tax, and the balance below would be negative.

	The Group and the Company	
	2009	2008
Sensitivity rate		
USD	1%	1%
SGD	5%	5%
RMB	5%	5%

	2009	2008
	HK$'000	*HK$'000*
Impact on profit/loss before tax		
USD	478	626
SGD	–	807
RMB	–	450

The Group's sensitivity to foreign exchange rate is mainly attributable to the exposure outstanding on the bank balances, available-for-sale investments, convertible bonds, structured secured loan and interest receivables denominated in USD as at 31 December 2009 and 2008 and exposure outstanding on convertible bonds denominated in SGD and RMB at 31 December 2008.

The Group's and the Company's sensitivity to foreign currencies have decreased during the current year mainly due to the net disposal of convertible bonds and the available-for-sale investments denominated in USD, SGD and RMB.

Interest rate risk management

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group currently has no hedging approach to the fair value interest rate risk on the convertible bond and structured secured loan. The Group's and the Company's exposure to fair value interest rate risk is mainly caused by the fair value change of the structured secured loan and convertible bonds due to change in market interest rate. The Group's and the Company's exposure to cash flow interest rate risk is mainly caused by the variable-rate mortgage loans. Interest income will fluctuate because of changes in market interest rates.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. The analysis is prepared assuming the amount of structured secured loan, and variable-rate mortgage loans at the reporting date were outstanding for the whole year. A 100 basis point increase or decrease in the Hong Kong lending rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For fair value interest rate risk, if interest rates had been 100 (2008: 200) basis points higher/lower and all other variables were held constant, the Group's and the Company's profit before tax for the year ended 31 December 2009 would decrease/increase by HK$26,000/HK$27,000 (2008: nil) for the Group and the Company. This is mainly attributable to the Group's exposure to interest rates on its structured secured loan.

For cashflow interest rate risk, if interest rates had been 100 (2008: 200) basis points higher/lower and all other variables were held constant, the Group's and the Company's profit before tax for the year ended 31 December 2009 would increase/decrease by HK$665,000 (2008: loss before tax decrease/increase by HK$59,000) for the Group, and increase/decrease by HK$1,000 (2008: loss before tax decrease/increase by HK$4,000) for the Company. This is mainly attributable to the Group's exposure to interest rates on its variable-rate mortgage loans.

The Group's sensitivity to interest rates have increased during the current year mainly due to the increase in variable rate mortgage loans as the interest income is sensitive to market interest rate.

Price risks

The Group and the Company are exposed to price risk through its investments in listed equity securities and convertible bonds. As at 31 December 2008, the Group has invested in mortgage-backed securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. In addition, the price risk was monitored by the management of the Group and the Company and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date.

If market prices of listed equity securities had been 20% (2008: 20% for listed equity securities and convertible bonds) higher/lower, profit before tax for the year ended 31 December 2009 would increase/decrease by HK$12,884,000 (2008: loss before tax decrease/increase by HK$8,051,000). This is mainly due to the changes in fair value of listed equity securities. No sensitivity analysis has been performed for the convertible bond as at 31 December, 2009 as the bond are illiquid and it is not possible to quantity the impact.

If market price of mortgage-backed securities had been 10% (2008: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$nil (2008: HK$3,918,000) as a result of the change in fair value of available-for-sale investments.

The Group's and the Company's sensitivity to prices have increased during the current year mainly due to the purchase of the listed equity securities.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties, failure to perform their obligations in relation to each class of recognised financial assets are the carrying amount of those assets as stated in the consolidated statement of financial position and statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue loans. In addition, the Group and the Company review the recoverable amount of each individual mortgage loan and loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The credit risk on liquid funds is limited because the counterparties are banks located in Hong Kong subject to the supervision by the Hong Kong Monetary Authority.

As at 31 December 2009, except for a loan of HK$65,000,000 to a particular borrower, the Group has no other significant concentration of credit risk, with exposures spread over a number of counterparties.

For the investment in a structured secured loan to a listed company in Hong Kong *(note 16)* as at 31 December 2009, the Group and the Company also had concentration of credit risk in a single geographical location in the People's Republic of China. The credit rating of the structured loan is non investment credit rating as at 31 December 2009. The directors have closely monitored the risk exposure to be maintained at a level that the Group can bear. The structured secured loan was fully settled subsequent to the year end.

For the investment in a convertible bond *(note 16)* as at 31 December 2009, the Group and the Company also both had concentration of credit risk in a single investment. The credit quality of the convertible bond is mainly determined by the credit quality of the issuer, which is a listed company in The Stock Exchange of Hong Kong Limited. The directors have closely monitored the risk exposure of the convertible bond and would take appropriate action to ensure the risk exposure is acceptable. The directors are of the view that the expected future cash flow of the convertible bond is sufficient to cover the carrying amount of the convertible bond as at 31 December 2009.

For the investments in convertibles bonds *(note 16)* as at 31 December 2008, the Group and the Company has no significant concentration of credit risk as the exposure was spread over several investee companies located in People's Republic of China, Hong Kong, Singapore and United States of America. These convertible bonds are unrated by rating agencies.

For the investments in mortgage-backed securities *(note 17)* as at 31 December 2008, the Group and the Company had both concentration of credit risk in single investment and geographical location in the United States of America. The credit quality of mortgage-backed securities is mainly determined by the credit quality of its underlying borrowers and residential mortgages collateral. The current weighted average credit score of the mortgage borrowers is considered as good according to Fair Issac Corporation Inc. ("FICO") scoring method as at 31 December 2008.

As at 31 December 2008, the Group and the Company had no other significant concentration of credit risk, with exposures spread over a number of counterparties.

In this regard, the Directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

No analysis of maturity profile on financial liabilities is prepared as, in the opinion of directors, the Group and the Company's financial liabilities are repayable on demand by virtue of their nature.

Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Equity securities listed in Hong Kong	64,421	–	–	64,421
Convertible bonds	–	19,520	–	19,520
Structured secured loan to a listed company in Hong Kong	–	26,000	–	26,000
Total	64,421	45,520	–	109,941

	The Company			
	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Convertible bond	–	19,520	–	19,520
Structured secured loan to a listed company in Hong Kong	–	26,000	–	26,000
Total	–	45,520	–	45,520

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

24. Investments in subsidiaries

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted shares, at cost	152	152

Particulars of subsidiaries at 31 December 2009 and 2008 are as follows:

Name of Company	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company	Principal activities
The Building and Loan Agency (Asia) Limited	Hong Kong	HK$2	100%	Money lending
Winbest Holdings Limited	British Virgin Islands	US$1	100%	Dormant
Alpha Gain Limited	Hong Kong	HK$2	100%	Dormant
Palmy Right Limited	British Virgin Islands	US$1	100%	Securities investment
Tack On Limited	British Virgin Islands	US$1	100%	Dormant

None of the subsidiaries had any debt securities at 31 December 2009 (2008: Nil) or at any time during the year.

25. Amounts due from subsidiaries

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Amounts due from subsidiaries	150,804	19,901
Allowance for impairment loss	(7,894)	(7,886)
	142,910	12,015

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Carrying amount analysed for reporting purpose:		
Current assets (receivable with 12 months from the reporting date)	77,910	12,015
Non-current assets (receivable after 12 months from the reporting date)	65,000	–
	142,910	12,015

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. Subsequent to 31 December 2009, the Company entered into an agreement with one of its subsidiary to charge an interest of 11.25% per annum on the outstanding amount due from that subsidiary of HK$65,000,000 with effective from 1 January 2010.

Movement in the allowance for impairment loss

	The Company	
	2009	**2008**
	HK$'000	*HK$'000*
Balance at beginning of year	7,886	7,881
Charge during the year	8	5
Balance at end of year	7,894	7,886

The amounts due from subsidiaries are impaired due to the present value of discounted cash flows being lesser than its carrying amounts.

The amounts due from subsidiaries which are neither past due nor impaired have the repayment ability to settle the outstanding amounts. The Company does not hold any collateral over these balances.

26. Deferred taxation

At the end of the reporting period, the Group has unused tax losses of approximately HK$56,812,000 (2008: HK$53,690,000) available for offset against future profits.

No deferred tax asset has been recognised in respect of the unused tax losses as it is uncertain that there will be sufficient future profits available to utilise the balances, and the unrecognised tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company has unused tax losses of HK$50,597,000 (2008: HK$53,690,000) available for offset against future profits.

No deferred tax asset has been recognised in respect of the unused tax losses as it is uncertain that there will be sufficient future profits available to utilise the balances. The unrecognised tax losses may be carried forward indefinitely.

27. Operating leases

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments of HK$664,000 and HK$628,000 respectively (2008: HK$Nil) under non-cancellable operating leases for premises which fall due within one year.

Operating leases payments represent rentals payable by the Group and the Company for certain of its office properties. Leases are negotiated for an average term of one year and rentals are fixed for the respective lease term.

28. Retirement benefit scheme

The Group and the Company participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group and the Company, in funds under the control of trustee.

For members of the MPF Scheme, the Group and the Company contribute 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost charged to the profit or loss of HK$43,000 (2008: HK$34,000) represents contributions payable to the scheme by the Group in respect of the current accounting period.

29. Related party transactions

During the year, the Group entered into the following transactions with related parties:

(A) Expense items:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Services fee paid to a company with commonkey management personnel	532	–

(B) Compensation of key management personnel

The key management of the Group comprises all Directors, details of their remuneration are disclosed in note 9. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

30. Events after the reporting period

Subsequent to 31 December 2009, the Group had the following material events:

(a) Pursuant to an extraordinary general meeting of the Company held on 10 February 2010 (the "EGM"), each of the issued and unissued shares of HK$1.00 each in the share capital of the Company was subdivided into 10 shares (the "Share Subdivision") of HK$0.10 each (the "Subdivided Shares").

(b) Upon the Share Subdivision, the authorised share capital of the Company was increased from HK$300,000,000 to HK$500,000,000 by the creation of an additional 2,000,000,000 shares of HK$0.10 each at the same EGM. The new shares shall rank *pari passu* in all respects with the existing issued shares of the Company.

(c) Pursuant to the announcement dated 24 March 2010, the Company intends to raise HK$56.25 million (before expenses and exercise of the option) by way of an open offer of 562,500,000 offer shares at the subscription price of HK$0.1 per share, payable in full upon application, on the basis of one offer share for every four shares, with a further option to subscribe for convertible bonds convertible to the Company's shares at HK$0.1 per share. Assuming full exercise of the option, an additional HK$45 million (before expenses) will be raised.

3. INDEBTEDNESS STATEMENT

As at the close of business on 28 February 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this prospectus, the Group had the following indebtedness:

Borrowings

As at 28 February 2010, the Group had total outstanding borrowings of approximately HK$6.4 million, comprising solely an overdraft balance from a cash securities trading account of a security broker. Besides this overdraft balance, the Group had no outstanding bank loans, other loans or any outstanding obligation under finance lease. No bank deposits or any other assets of the Group were pledged.

Contingent liabilities

As at 28 February 2010, the Group had no material contingent liabilities.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 28 February 2010.

4. WORKING CAPITAL

The Directors are of the opinion that taking into account the Group's existing cash and bank balances as well as the present available facilities from a security broker available to the Group and its internally generated funds, the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of publication of the Prospectus.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

1. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report, prepared for the sole purpose of incorporation in this Prospectus, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, in respect of the unaudited pro forma statement of the Group as set out in this appendix.

Deloitte.
德勤

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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

15 April 2010

The Board of Directors
The Hong Kong Building and Loan Agency
35th Floor, China Online Centre,
No. 333 Lockhart Road,
Wanchai,
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of The Hong Kong Building and Loan Agency Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as set out on pages 77 and 78 under the heading of "Unaudited pro Forma Financial Information of the Group" in Appendix II to the prospectus issued by the Company dated 15 April 2010 ("Prospectus"). The unaudited pro forma financial information has been prepared by the Directors of the Company for illustrative purposes only, to provide information about how the proposed open offer of 562,500,000 offer shares on the basis of one offer share for every four existing shares at a subscription price of HK$0.1 per offer share, with a further option to the subscribers who have accepted and successfully subscribed the offer shares to subscribe for convertible bonds (with a principal amount of equal or not more than 80% of the aggregate value of the offer share allotted to the subscriber) of the Company might have affected the financial information presented, for inclusion in Appendix II of the Prospectus. The basis of preparation of the unaudited pro forma financial information is set out on pages 77 and 78 to the Prospectus.

Respective responsibilities of the Directors of the Company and reporting accountants

It is the sole responsibility of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Unaudited Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2009 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 April 2010

2. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the open offer of 562,500,000 offer shares on the basis of one offer share for every four existing shares at a subscription price of HK$0.1 per offer share, with a further option to the subscribers who have accepted and successfully subscribed the offer shares to subscribe for convertible bonds (with a principal amount of equal or not more than 80% of the aggregate value of the offer share allotted to the subscriber) of the Company (the "Option") and subsequent issuance of shares on exercise of conversion options of convertible bonds at a price of HK$0.1 per share on the consolidated net tangible assets attributable to owners of the Company as at 31 December 2009, as if they had taken place on 31 December 2009. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2009 is based on audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2009, as shown in the consolidated statement of financial position of the Group as at 31 December 2009 as set out in Appendix I to the Prospectus and the adjustments described below:

	Audited consolidated net tangible assets of the Group as at 31 December 2009	Impact from issuance of the Offer Share together with the Option	Unaudited pro-forma adjusted consolidated net tangible assets of the Group immediately after the Offer Share together with the Option	Impact from full subscriptions of convertible bonds and issuance of the Conversion Shares on exercise of conversion options	Unaudited pro-forma adjusted consolidated net tangible assets of the Group immediately after the Offer Share and after issuance Conversion Shares	Audited consolidated net tangible assets per share as at 31 December 2009	Unaudited pro-forma adjusted consolidated net tangible assets per share immediately after the Offer Share together with the Option	Unaudited pro-forma adjusted consolidated net tangible assets per share immediately after the Offer Share and after issuance of Conversion Shares
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*		*(Note 4)*	*(Note 5)*	*(Note 6)*
Based on the full subscription of Offer Share at Subscription Price of HK$0.10 each and full exercise of conversion options of convertible bonds	231,089	(5,045)	226,044	103,895	329,939	0.1027	0.0804	0.1011

Notes:

1. The audited consolidated net tangible assets of the Group as at 31 December 2009 is HK$231,089,000 which represents the net assets attributable to owners of the Company as at 31 December 2009.

2. The adjustment represents the decrease in net tangible asset from the issuance of Offer Share together with the Option of HK$4,895,000 which is based on:

   (i) estimated proceeds of HK$56,250,000 from the issuance of 562,500,000 Offer Shares at a subscription price of HK$0.1 per share;

   (ii) recognition of the Option attached to the Offer Share to subscribe for convertible bonds as derivative financial liabilities at a fair value of HK$58,895,000 and

   (iii) estimated related expenses of approximately HK$2,400,000.

   The Option is valued at valuation date of 24 March 2010, which is the date of the Announcement and assume all Offer Shares and Options are subscribed by Qualifying Shareholders.

3. The increase in net tangible asset represented the reversal of derivative financial liabilities of HK$58,895,000 and estimated proceeds of HK$45,000,000 from subscription of convertible bonds.

4. The net tangible assets is calculated based on 2,250,000,000 ordinary shares in issue at 31 December 2009 after adjusting the effect of share subdivision of one share of HK$1 each into 10 shares of HK$0.10 each on 10 February 2010.

5. The net tangible assets is calculated based on 2,812,500,000 ordinary shares in issue at 31 December 2009 after adjusting the effect of share subdivision of one share of HK$1 each into 10 shares of HK$0.10 each on 10 February 2010 and after 562,500,000 Offer Shares being issued.

6. The net tangible assets is calculated based on 3,262,500,000 ordinary shares in issue at 31 December 2009 after adjusting the effect of share subdivision of one share of HK$1 each into 10 shares of HK$0.10 each on 10 February 2010 and after 562,500,000 Offer Shares and 450,000,000 Conversion Shares being issued.

1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Open Offer; and (iii) immediately upon completion of the Open Offer and full conversion of the Convertible Bonds, are as follows:

(i) As at the Latest Practicable Date

Authorised share capital:		*HK$*
5,000,000,000	Shares	500,000,000
Issued and fully paid share capital or credited as fully paid:		
2,250,000,000	Shares	225,000,000

(ii) Upon completion of the Open Offer

Authorised share capital:			*HK$*
5,000,000,000	Shares		500,000,000
Issued and fully paid share capital or credited as fully paid:			
2,250,000,000	Shares	Shares in issue as at the Latest Practicable Date	225,000,000
562,500,000	Shares	Offer Shares to be issued under the Open Offer	56,250,000
2,812,500,000	Shares	Shares in issue upon completion of the Open Offer	281,250,000

(iii) Upon completion of the Open Offer and full conversion of the Convertible Bonds

Authorised share capital:			*HK$*
5,000,000,000	Shares		500,000,000
Issued and fully paid share capital or credited as fully paid:			
2,812,500,000	Shares	Shares in issue upon completion of the Open Offer	281,250,000
450,000,000	Shares	Conversion Shares to be issued upon full conversion of the Convertible Bonds	45,000,000
3,262,500,000	Shares	Shares in issue upon completion of the Open Offer and full conversion of the Convertible Bonds	326,250,000

All of the Offer Shares and Conversion Shares to be issued will rank *pari passu* in all respect with each other, including as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Offer Shares and the Conversion Shares. The Offer Shares and the Conversion Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any securities exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Offer Shares or the Conversion Shares or any other securities of the Company to be listed or dealt in on any other securities exchange.

As at the Latest Practicable Date, there were no outstanding warrants, options, derivatives or securities convertible into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the following Director of the Company had interests in the Shares or underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules on the Stock Exchange (the "Model Code").

Long position in the Shares

Name of Director	Capacity	Number of Shares held *(Note 1)*	Approximate % of shareholdings
Mr. Tang Yu Ming, Nelson ("Mr. Tang") *(Note 2)*	Interest in controlled corporation	688,250,000	30.58

Note:

1. With effect from 11 February 2010, each of the issued and unissued Shares of HK$1.00 each was subdivided into 10 Shares of HK$0.10 each.

2. Mr. Tang, the Chairman and Non-Executive Director, is deemed to be interested in 688,250,000 Shares by virtue of his 100% beneficial holding in Hyde Park Group Limited. Hyde Park's interest in 688,250,000 Shares comprised of (i) it's beneficial interest in 5,750,000 Shares; and (ii) it's deemed interest in 682,500,000 Shares through its wholly-owned subsidiary, Island New Finance Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders

As at the Latest Practicable Date, as far as was known to the Directors and the chief executive of the Company, persons (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital, were as follows:

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares *(Note 1)*	Approximate % of shareholdings
Mr. Tang Yu Ming, Nelson	Interest in controlled corporation	688,250,000	30.58
Hyde Park *(Note 2)*	Beneficial owner & Interest in controlled corporation	688,250,000	30.58
Island New Finance	Beneficial owner	682,500,000	30.33
Best Leader Investment Limited *(Note 4)*	Interest in controlled corporation	218,500,000	9.71

Name of Shareholder	Capacity	Number of Shares *(Note 1)*	Approximate % of shareholdings
Express Advantage Limited	Beneficial owner	218,500,000	9.71
Ms. Liang Gui Lian *(Note 5)*	Interest in controlled corporation	218,500,000	9.71
Mr. Ni Rong Kun	Beneficial owner	218,500,000	9.71

Note:

1. With effect from 11 February 2010, each of the issued and unissued Shares of HK$1.00 each was subdivided into 10 Shares of HK$0.10 each.

2. Mr. Tang Yu Ming, Nelson, the Chairman and Non-Executive Director, is deemed to be interested in 688,250,000 shares of the Company by virtue of his 100% beneficial holding in Hyde Park Group Ltd ("Hyde Park") and Island New Finance Ltd ("Island New Finance").

3. Hyde Park's interest in 688,250,000 Shares comprised of (i) it's beneficial interest in 5,750,000 Shares; and (ii) it's deemed interest in 682,500,000 Shares through its wholly-owned subsidiary, Island New Finance.

4. Best Leader Investment Limited is deemed to be interested in 218,500,000 Shares by virtue of its 80% beneficial holding in Express Advantage Limited.

5. Ms. Liang Gui Lian is deemed to be interested in 218,500,000 Shares by virtue of its 100% beneficial holding in Best Leader Investment Limited.

Save as disclosed above, so far as the Directors and chief executive were aware, as at the Latest Practicable Date, no other persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such share capital.

(c) Directors' service contracts

As at the Latest Practicable Date, each of the following Directors had entered into a service contract with the Company, the terms and conditions of which are set out below:

	Terms of service contract	Fixed annual remuneration *(HK$)*	Compensation for termination
Executive Directors			
Mr. Lau Yu Fung, Wilson	2 October 2009 to 1 October 2010	480,000	1 month's salary
Mr. Chan Chun Wai	2 October 2009 to 1 October 2010	480,000	1 month's salary
Mr. Au Tin Fung	23 October 2009 to 22 October 2010	480,000	1 month's salary
Non-Executive Director			
Mr. Tang Yu Ming, Nelson	2 October 2009 to 1 October 2010	480,000	1 month's salary
Independent Non-Executive Directors			
Mr. Chan Chi Yuen	2 October 2009 to 1 October 2012	200,000	1 month's salary
Mr. Ng Cheuk Fan, Keith	15 January 2010 to 14 January 2013	100,000	1 month's salary
Mr. So Yuen Chun	15 January 2010 to 14 January 2013	100,000	1 month's salary

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies in force which (i) were continuous contracts with a notice period of 12 months or more; or (ii) were fixed term contracts with term more than 12 months to run irrespective of the notice period.

(d) Other interest

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this prospectus.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or likely to compete with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. EXPERTS AND CONSENTS

The following are qualifications of experts who have given opinions, letters or advice which are contained in this prospectus:

Name	Qualification
Deloitte Touche Tohmatsu ("Deloitte")	Certified Public Accountants

Deloitte has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of the text of its letters and/or reports and/or reference to its name, as the case may be, in the form and context in which it appears.

As at the Latest Practicable Date, Deloitte did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and it did not have any direct or indirect interest in any assets which have been or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date on which the latest published audited consolidated financial statements of the Company were made up.

7. MATERIAL CONTRACTS

Save for the Underwriting Agreement, no material contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group after the date being two years immediately preceding the date of the Announcement and up to the Latest Practicable Date.

8. CORPORATE INFORMATION

Registered Office	Room 3501 35th Floor China Online Centre No. 333 Lockhart Road Wanchai, Hong Kong
Authorised Representatives	Mr. Au Tin Fung Flat E, 51/F, Blk. 5, Liberte Cheung Sha Wan, Kowloon Ms. Chow Man Ngan Room 3501 35th Floor, China Online Centre No. 333 Lockhart Road Wanchai, Hong Kong
Company Secretary	Ms. Chow Man Ngan, a member of the Hong Kong Institute of Chartered Secretaries
Share Registrar	Tricor Tengis Limited 26/F, Tesbury Centre 28 Queen’s Road East Wanchai, Hong Kong

Auditor	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Legal adviser to the Company	Angela Wang & Co 14th Floor, South China Building 1-3 Wyndham Street Central, Hong Kong
Legal adviser to the Company on the Open Offer	Angela Ho & Associates 1106, Tower 1, Lippo Centre 89 Queensway Hong Kong
Principal Banker	The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

9. DIRECTORS

Particulars of Directors

Name	Address
Executive Directors	
Mr. Lau Yu Fung, Wilson	Room 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong
Mr. Chan Chun Wai	62A, Tower 8, Island Resort, Siu Sai Wan, Hong Kong
Mr. Au Tin Fung	Flat E, 51/F, Blk. 5, Liberte Cheung Sha Wan, Kowloon

Non-Executive Director

Mr. Tang Yu Ming, Nelson	House 6, 25 Black's Link, Hong Kong

Independent Non-Executive Directors

Mr. Chan Chi Yuen	Flat D, 7/F, Blk. 7, Classical Garden II, Tai Po, N.T.
Mr. Ng Cheuk Fan, Keith	Flat A, 36/F, Tower 19, South Horizons, Apleichau, Hong Kong
Mr. So Yuen Chun	Flat B, 12/F, Block 2, Site 1, Whampoa Garden, 121 Baker Street, Hung Hom, Kowloon, Hong Kong

Executive Directors

Mr. Lau Yu Fung, Wilson, aged 45, was appointed an Executive Director of the Company on 2 October 2009. Mr. Lau graduated from the University of Adelaide with Bachelor of Laws and South Australian Institute of Technology with Graduate Diploma in Legal Practice. He has 20 years of experience in legal and commercial practice in Australia and Hong Kong. Mr. Lau is a partner of Lau Kwong & Hung, a legal firm of Hong Kong.

Mr. Lau did not hold any other directorships in listed public companies during the past three years. Mr. Lau does not have any relationships with other Directors, senior management, substantial shareholders or controlling shareholders of the Company, nor does he have any interest or short position in the Shares, underlying shares or debenture of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. Chan Chun Wai, aged 40, was appointed an Executive Director of the Company on 2 October 2009. He graduated from the University of Central Oklahoma with a Bachelor degree in Computer Sciences and Mathematics. He has over 18 years of experience in the field of information technology in Hong Kong and the United States of America.

During the period from 22 March 2005 to 29 May 2007, Mr. Chan served as an independent non-executive director of Carico Holdings Limited (now known as Jia Sheng Holdings Limited). Mr. Chan was also an independent non-executive director and a member of the audit committee and the remuneration committee of China Public Procurement Limited (formerly known as Sunny Global Holdings Limited) from 27 August 2007 to 7 August 2009. Save as disclosed, he did not hold any other directorships in listed public companies during the past three years.

Mr. Chan does not have any relationships with other Directors, senior management, substantial shareholders or controlling shareholders of the Company, nor does he have any interest or short position in the Shares, underlying shares or debenture of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. Au Tin Fung, aged 51, was appointed as an Independent Non-Executive Director of the Company on 2 October 2009 and re-designated as an Executive Director of the Company on 23 October 2009. Mr. Au graduated from the business management department of the Hong Kong Baptist University and holds a Master Degree in Business Administration from the Upper Iowa University, the United States of America. He has worked for Wong's Kong King International (Holdings) Limited as the corporate assistant general manager and the director general of Shenzhen Dengcheng Realties Development Company Limited.

Mr. Au was an independent non-executive director and a member of the audit committee and the remuneration committee of China Public Procurement Limited (formerly known as Sunny Global Holdings Limited) during the period from 27 August 2007 to 30 September 2009. Save as disclosed, he did not hold any other directorships in listed public companies during the past three years.

Mr. Au does not have any relationships with other Directors, senior management, substantial shareholders or controlling shareholder of the Company, nor does he have any interest or short position in the Shares, underlying shares or debenture of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Non-Executive Director

Mr. Tang Yu Ming, **Nelson**, aged 39, was appointed the Chairman and the Non-Executive Director of the Company on 2 October 2009. Mr. Tang is the Managing Director of Shikumen Capital Management Limited and is responsible for its investment activity, operations and business development.

Prior to co-founding Shikumen Capital Management Limited, during the period from 1992 to 2007, Mr. Tang spent 15 years in financial asset management industry. He graduated from Wharton School, University of Pennsylvania with a Bachelor of Science and Economics degree majoring in finance and accounting in 1992. He did not hold any other directorships in listed public companies during the past three years.

Mr. Tang does not have any relationships with other Directors, senior management, substantial shareholders or controlling shareholders of the Company, nor does he have any interest or short position in the Shares, underlying shares or debenture of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Independent Non-Executive Directors

Mr. Chan Chi Yuen, aged 43, was appointed as an Independent Non-Executive Director of the Company on 2 October 2009. He holds a Bachelor Degree with honors in Business Administration and a Master of Science Degree in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an independent non-executive director of Asia Energy Logistics Group Holdings Limited, China Gamma Group Limited, China Gogreen Assets Investment Limited, Superb Summit International Timber Company Limited, Richly Field China Development Limited, China Grand Forestry Green Resources Group Limited and Rojam Entertainment Holdings Limited. Mr. Chan was an executive director of New Times Energy Corporation Limited since 10 May 2006 and was re-designated as a non-executive director from 25 October 2006 onwards. He was also an executive director of Kong Sun Holdings Limited from February 2007 to November 2009, Amax Holdings Limited from August 2005 to January 2009 and China E-Learning Group Limited from July 2007 to September 2008. Save as disclosed, he did not hold any other directorships in listed public companies during the past three years.

Mr. Chan does not have any relationships with other Directors, senior management, substantial shareholders or controlling shareholders of the Company, nor does he have any interest or short position in the Shares, underlying shares or debenture of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. Ng Cheuk Fan, **Keith**, aged 48, was appointed as an Independent Non-Executive Director of the Company on 15 January 2010. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Ng graduated from the University of Alberta, Canada, with a Bachelor's degree in Commerce, majoring in Accounting. He also obtained a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng has over 20 years of accounting and management experience.

Mr. Ng was appointed as an executive director of China Fortune Group Limited ("China Fortune") and Winbox International (Holdings) Limited ("Winbox") on 4 April 2007 and 1 September 2009 respectively, both companies are listed on the Stock Exchange. On 4 December 2007, he was further appointed as managing director of China Fortune. During the period from May 2004 to June 2008, Mr. Ng served as an executive director, financial controller, qualified accountant and company secretary of LeRoi Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Ng has not held any other directorship in any listed companies during the past three years.

Mr. Ng does not have any relationships with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company, nor does he have any interest or short position in the Shares, underlying shares or debenture of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. So Yuen Chun, aged 37, was appointed as an Independent Non-Executive Director of the Company on 15 January 2010. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. So possesses more than 14 years of experience in the fields of auditing, accounting and finance. He did not hold any other directorships in listed public companies during the past three years.

Mr. So does not have any relationships with other Directors, senior management, substantial shareholders or controlling shareholders of the Company, nor does he have any interest or short position in the Shares, underlying shares or debenture of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

10. DOCUMENT DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of each of the Prospectus Documents, together with written consent referred to in the paragraph headed "Experts and Consents" in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies Ordinance.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekdays (except Saturday and public holidays) at the registered office of the Company at 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong from the date of this prospectus up to and including 29 April 2010:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two years ended 31 December 2008 and 31 December 2009;

(c) the written consent from the experts referred to in the section headed "Experts and Consents" in this appendix;

(d) the letter signed by Deloitte setting out their opinion on the unaudited pro forma financial information of the Group, the text of which is set out on pages 74 to 76 of this prospectus;

(e) the service contracts referred to in the paragraph headed "Directors' service contracts" in this appendix;

(f) the Underwriting Agreement; and

(g) this prospectus.