



# 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)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

The board of directors (the “Board”) of The Hong Kong Building and Loan Agency Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2008 with comparative figures as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended 30th June,</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	5	<b>4,001</b>	4,857
Interest income		<b>3,692</b>	4,002
Net loss on trading of held-for-trading investments		–	(335)
Fair value changes on held-for-trading investments		<b>(1,594)</b>	(201)
Realised gain on available-for-sale investments		<b>13</b>	–
Dividend income		<b>309</b>	855
Other income		<b>50</b>	–
Operating expenses		<b>(2,640)</b>	(6,158)
Loss before taxation	6	<b>(170)</b>	(1,837)
Taxation	7	–	(2,612)
Loss for the period		<b>(170)</b>	(4,449)
Attributable to:			
Equity holders of the Company		<b>(170)</b>	(4,449)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	8		
Basic		<b>(0.1)</b>	(2.0)
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2008 (Unaudited) HK\$'000	At 31st December, 2007 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		138	143
Mortgage loans	9	6,934	4,142
Available-for-sale investments	11	39,595	42,480
		<u>46,667</u>	<u>46,765</u>
<b>CURRENT ASSETS</b>			
Mortgage loans	9	2,366	3,186
Held-for-trading investments	10	6,430	8,024
Prepayments and other receivables		1,004	3,860
Cash and bank balances		172,886	169,198
		<u>182,686</u>	<u>184,268</u>
<b>CURRENT LIABILITIES</b>			
Other creditors and accruals		736	1,773
<b>NET CURRENT ASSETS</b>			
		<u>181,950</u>	<u>182,495</u>
		<u>228,617</u>	<u>229,260</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	225,000	225,000
Reserves		3,617	4,260
		<u>228,617</u>	<u>229,260</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial information is consistent with those followed in the preparation of the Group's annual financial information for the year ended 31st December, 2007.

### 3. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2008. The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

### 3. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008

The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the financial position of the Group.

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

The Group's primary format for reporting segment information is business segment.

The analysis of the Group's business segmental information is as follows:

	Six months ended 30th June, 2008		
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Revenue	<u>797</u>	<u>3,204</u>	<u>4,001</u>
Segment result	<u>444</u>	<u>1,623</u>	2,067
Other income			50
Unallocated expenses			<u>(2,287)</u>
Loss before taxation			(170)
Taxation			<u>-</u>
Loss for the period			<u>(170)</u>
	Six months ended 30th June, 2007		
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Revenue	<u>480</u>	<u>4,377</u>	<u>4,857</u>
Segment result	<u>488</u>	<u>3,841</u>	4,329
Unallocated expenses			<u>(6,166)</u>
Loss before taxation			(1,837)
Taxation			<u>(2,612)</u>
Loss for the period			<u>(4,449)</u>

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

#### Geographical segments

No geographical segment analysis is presented as all of the Group's business activities during the period under review were conducted in Hong Kong.

## 5. REVENUE

Revenue represents interest income on mortgage loans and net gain on treasury investments which includes interest income on bank deposits, available-for-sale investments and dividend income from held-for-trading investments.

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

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Mortgage finance:		
Interest on mortgage loans	797	480
Treasury investments:		
Interest on bank deposits	1,751	3,522
Interest on available-for-sale investments	1,144	–
Dividend income from held-for-trading investments	309	855
	<u>4,001</u>	<u>4,857</u>

## 6. LOSS BEFORE TAXATION

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

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Employee benefit expenses		
Wages and salaries	787	1,960
Retirement benefit costs	15	18
	<u>802</u>	<u>1,978</u>
Auditor's remuneration	–	270
Depreciation	23	3
Operating leases payments	42	42
Impairment (written back) allowances on mortgage loans	11	(8)
Legal and professional fees	1,191	3,158
	<u>1,191</u>	<u>3,158</u>

## 7. TAXATION

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong		
Current tax	–	–
Deferred tax: (note 13)		
Prior period	–	2,612
	<u>–</u>	<u>2,612</u>

No current tax is payable as the Group has no assessable profit for the period. For the six months ended 30th June, 2007, tax charge represented the reduction of deferred tax assets recognised in prior years.

## 8. LOSS PER SHARE

Basic loss per share is calculated based on the loss for the period attributable to equity holders of the Company of HK\$170,000 (2007: HK\$4,449,000) and on 225,000,000 (2007: 225,000,000) ordinary shares in issue during the period.

No diluted loss per share is presented as there were no potential dilutive ordinary shares in issue during these two periods.

## 9. MORTGAGE LOANS

	At 30th June, 2008 <i>HK\$'000</i>	At 31st December, 2007 <i>HK\$'000</i>
Fixed-rate loans receivables	7,137	4,854
Variable-rate loans receivables	2,163	2,474
	<u>9,300</u>	<u>7,328</u>
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the balance sheet date)	2,366	3,186
Non-current assets (receivables after 12 months from the balance sheet date)	6,934	4,142
	<u>9,300</u>	<u>7,328</u>

Fixed-rate loans receivables and variable-rate loans receivables are secured by mortgage loan properties, bearing interest at market interest rates.

Balance of mortgage loans at 30th June, 2008 is net of accumulated impairment allowances of HK\$207,000 (at 31st December, 2007: HK\$196,000).

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

	At 30th June, 2008 <i>HK\$'000</i>	At 31st December, 2007 <i>HK\$'000</i>
Repayable:		
Within 3 months	1,391	2,631
Between 3 months and 1 year	975	555
Between 1 and 5 years	5,221	3,201
After 5 years	1,713	941
	<u>9,300</u>	<u>7,328</u>

The fair value of the Group's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the effective interest rate at 30th June, 2008 approximates to the carrying amount of the mortgage loans.

## 10. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	At 30th June, 2008 <i>HK\$'000</i>	At 31st December, 2007 <i>HK\$'000</i>
Equity securities listed in Hong Kong	<u>6,430</u>	<u>8,024</u>

The fair value of the above held-for-trading investments is determined based on the quoted market bid prices available on the relevant exchange.

## 11. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments include:

	At 30th June, 2008 HK\$'000	At 31st December, 2007 HK\$'000
Mortgage-backed securities quoted in the United States of America	<u>39,595</u>	<u>42,480</u>

As of 30th June, 2008, the fair value of the available-for-sale investments denominated in US dollar amounted to US\$5,078,000 (at 31st December, 2007: US\$5,448,000). The fair value of the above available-for-sale investments is the quoted market bid prices which is readily and regularly available from brokers and price servicing agency. The contractual interest rate of the available-for-sale investments was 5.5% per annum and their maturity date will be on February 2035.

## 12. SHARE CAPITAL OF THE COMPANY

	At 30th June, 2008 & 31st December, 2007 HK\$'000
<b>Authorised:</b>	
300,000,000 ordinary shares of HK\$1.00 each	<u>300,000</u>
<b>Issued and fully paid:</b>	
225,000,000 ordinary shares of HK\$1.00 each	<u>225,000</u>

## 13. DEFERRED TAXATION

The following are the major deferred tax assets recognised by the Group and movements thereon during the current and prior period:

	At 30th June, 2008 HK\$'000	At 31st December, 2007 HK\$'000
At 1st January, 2008/1st January, 2007	–	2,612
Deferred tax charged for the period/year (note 7)	–	(2,612)
At 30th June, 2008/31st December, 2007	<u>–</u>	<u>–</u>

Deferred tax asset arose from impairment allowance on loans receivables and unused tax losses available for offsetting against future taxable profit.

During the year ended 31st December, 2007, deferred tax assets of HK\$2,612,000 brought forward from last year had been reduced to nil value as the management of the Company is uncertain as to the timing on the utilisation of the tax losses.

## 14. OPERATING LEASES ARRANGEMENT

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30th June, 2008 HK\$'000	At 31st December, 2007 HK\$'000
Within one year	<u>36</u>	<u>–</u>

## 15. RELATED PARTY TRANSACTIONS

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

### A). Expense items:

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Rental paid to a former intermediate holding company	36	36
Commissions paid to former fellow subsidiaries	–	162
Services fee paid to a former intermediate holding company	298	–
	<u>334</u>	<u>198</u>

### B). Compensation of key management personnel

The key management of the Group comprises all the directors of the Company, details of their remuneration during the period are as follows:

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Short term benefits	–	145
	<u>–</u>	<u>145</u>

The remuneration of the directors of the Company is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30th June, 2008 (2007: Nil).

## DISCUSSION AND ANALYSIS OF INTERIM RESULTS

The Group's treasury investments recorded a decrease in profit. The activity level in the Group's mortgage finance business segment remained at a modest level. For the period ended 30th June, 2008, the Group recorded a loss attributable to equity holders of the Company of HK\$0.2 million (2007: HK\$4.5 million) with revenue of HK\$4.0 million (2007: HK\$4.9 million).

### Results for the period

Principal businesses of the Group remained as mortgage finance and treasury investments.

The competition in mortgage finance market remained keen and interest margin continued to stay low as the property transaction volume was affected by the successive increases in interest rates in the market. The revenue contributed by mortgage finance increased to HK\$0.8 million (2007: HK\$0.5 million) but profit contributed by mortgage finance decreased to HK\$0.4 million (2007: HK\$0.5 million).

The revenue contributed by the treasury investments decreased to HK\$3.2 million (2007: HK\$4.4 million) as a result of a decrease in securities trading activities and profit contributed by treasury investments decreased to HK\$1.6 million (2007: HK\$3.8 million).

### Total assets

At 30th June, 2008, total assets decreased to HK\$229.4 million (at 31st December, 2007: HK\$231.0 million). All assets are denominated in Hong Kong dollars except for the available-for-sale investments which are denominated in United States dollars; henceforth there was an exposure to foreign exchange currency rate risk albeit a modest one.

The Group maintained a very strong liquidity position throughout the period. At the balance sheet date, the Group had listed investments amounting to HK\$6.4 million (at 31st December, 2007: HK\$8.0 million) and cash and bank balances amounting to HK\$172.9 million (at 31st December, 2007: HK\$169.2 million).

## **Capital structure**

Currently, the Group is debt-free. There were no charges on the Group's assets and the Group had no material capital commitment or contingent liabilities outstanding at the end of the period (at 31st December, 2007: Nil).

The net asset value of the Group at 30th June, 2008 decreased by 0.3% to HK\$228.6 million (at 31st December, 2007: HK\$229.3 million) with the net asset value per share at HK\$1.02 (at 31st December, 2007: HK\$1.02).

## **Staff and remuneration**

The Group had 10 (2007: 9) employees at 30th June, 2008 and total staff costs incurred during the period amounted to HK\$0.8 million (2007: HK\$2.0 million). The Group offers competitive remuneration packages to its employees. A share option scheme has been approved by the shareholders meeting on 22nd May, 2008 for employees. There is no share options granted to employees as at 30th June, 2008.

## **BUSINESS OUTLOOK**

The Group continues to maintain its traditional principal activities after the takeover by new management. However, management is conducting a review of the business operations and financial position of the Group with a view to formulating a business plan and strategy suitable for the Group. At the same time, management is 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.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2008.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2008.

The annual review of internal controls in respect of the code provision C.2.1 of the CG Code will be reported upon in the forthcoming corporate governance report to be contained in the Company's annual report for the financial year ending 31st December, 2008.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All the directors of the Company have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

## **AUDIT COMMITTEE REVIEW**

The Group's interim results for the six months ended 30th June, 2008 have been reviewed by the audit committee.

Further, the interim results for the six months ended 30th June, 2008 are unaudited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

By Order of the Board  
**The Hong Kong Building and Loan Agency Limited**  
**John Zwaanstra**  
*Chairman*

Hong Kong, 23rd September, 2008

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. John Zwaanstra, Mr. John Pridjian, Mr. Todd David Zwaanstra and Mr. Jonathon Lawless being Executive Directors; and Mr. Alan Howard Smith, JP, Mr. King Chang-Min Stephen and Mr. Patrick Smulders being Independent Non-executive Directors.*