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The Hong Kong Building and Loan Agency Limited

香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009**

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, 2009 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

		Six months ended 30th June,	
		2009	2008
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	5	<u>2,082</u>	<u>4,001</u>
Interest income		2,052	3,692
Fair value changes on held-for-trading investments		3,401	(1,594)
Realised gain on available-for-sale investments		28	13
Dividend income		30	309
Other income		78	50
Operating expenses		<u>(2,635)</u>	<u>(2,640)</u>
Profit (Loss) before taxation	6	2,954	(170)
Taxation	7	<u>(13)</u>	<u>–</u>
Profit (Loss) for the period		<u>2,941</u>	<u>(170)</u>
Other comprehensive income (loss)			
Fair value change on available-for-sale investments		159	(460)
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		<u>(28)</u>	<u>(13)</u>
Total comprehensive income (loss) for the period		<u>3,072</u>	<u>(643)</u>
Profit (loss) for the period attributable to the owners of the Company		<u>2,941</u>	<u>(170)</u>
Total comprehensive income (loss) attributable to the owners of the Company		<u>3,072</u>	<u>(643)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings (Loss) per share	9		
Basic		<u>1.3</u>	<u>(0.1)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2009

		At 30th June, 2009 (Unaudited) <i>HK\$'000</i>	At 31st December, 2008 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment		90	114
Mortgage loans	<i>10</i>	5,688	7,863
Available-for-sale investments	<i>12</i>	34,024	39,179
		<u>39,802</u>	<u>47,156</u>
CURRENT ASSETS			
Mortgage loans	<i>10</i>	2,150	2,145
Held-for-trading investments	<i>11</i>	–	40,256
Prepayments and other receivables		1,370	18,300
Cash and bank balances		189,161	122,507
		<u>192,681</u>	<u>183,208</u>
CURRENT LIABILITIES			
Other creditors and accruals		732	1,699
Tax payable		99	85
		<u>831</u>	<u>1,784</u>
NET CURRENT ASSETS			
		<u>191,850</u>	<u>181,424</u>
		<u>231,652</u>	<u>228,580</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	225,000	225,000
Reserves		6,652	3,580
		<u>231,652</u>	<u>228,580</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

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, 2008 except as described in note 3 below.

3. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARD

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2009.

HKAS 1 (revised 2007) “Presentation of Financial Statements” – HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKFRS 8 – “Operating Segments” – HKFRS 8 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 predecessor Standard, HKAS 14 – “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. 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 4).

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 issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements ³
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised in 2008)	Business Combinations ³
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁵

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

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

³ Effective for the annual periods beginning on or after 1st July 2009.

⁴ Effective for the annual periods beginning on or after 1st January 2010.

⁵ Effective for transfers on or after 1st July 2009.

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 the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. 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.

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

	Six months ended 30th June, 2009		
	Mortgage finance <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>780</u>	<u>1,302</u>	<u>2,082</u>
Segment profit	<u>750</u>	<u>4,617</u>	5,367
Central administration costs			<u>(2,413)</u>
Profit before taxation			<u>2,954</u>

	Six months ended 30th June, 2008		
	Mortgage finance <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>797</u>	<u>3,204</u>	<u>4,001</u>
Segment profit	<u>444</u>	<u>1,623</u>	2,067
Other income			50
Central administration costs			<u>(2,287)</u>
Loss before taxation			<u>(170)</u>

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

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

5. REVENUE

Revenue represents interest income on mortgage loans and treasury investments which includes interest income on bank deposits and debt securities, and dividend income.

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

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Mortgage finance:		
Interest on mortgage loans	780	797
Treasury investments:		
Interest on bank deposits	226	1,751
Interest on available-for-sale investments	1,003	1,144
Interest on held-for-trading investments	43	–
Dividend income from held-for-trading investments	30	309
	<u>2,082</u>	<u>4,001</u>

6. PROFIT (LOSS) BEFORE TAXATION

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

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Employee benefit expenses		
Wages and salaries	963	787
Retirement benefit costs	18	15
	<u>981</u>	<u>802</u>
Depreciation	24	23
Operating leases payments	499	42
Impairment allowances on mortgage loans	91	11
Legal and professional fees	490	1,191
	<u>490</u>	<u>1,191</u>

7. TAXATION

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong		
– Current tax	<u>13</u>	<u>–</u>

Hong Kong Profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

8. INTERIM DIVIDEND

No dividend was paid or declared during the six months ended 30th June, 2009, nor has any dividend been declared since the end of reporting date (2008: Nil).

9. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated based on the profit (loss) for the period attributable to owners of the Company of HK\$2,941,000 (2008: Loss of HK\$170,000) and on 225,000,000 (2008: 225,000,000) ordinary shares in issue during the period.

No diluted earnings (loss) per share is presented as there were no potential dilutive ordinary shares in issue during the periods under review.

10. MORTGAGE LOANS

	At 30th June, 2009 HK\$'000	At 31st December, 2008 HK\$'000
Fixed-rate loans receivable	5,389	7,057
Variable-rate loans receivable	<u>2,449</u>	<u>2,951</u>
	<u>7,838</u>	<u>10,008</u>
Carrying amount analysed for reporting purposes:		
– Current assets (receivable within 12 months from the reporting date)	2,150	2,145
– Non-current assets (receivable after 12 months from the reporting date)	<u>5,688</u>	<u>7,863</u>
	<u>7,838</u>	<u>10,008</u>

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

Balance of mortgage loans at 30th June, 2009 is net of accumulated impairment allowances of HK\$311,000 (at 31st December, 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:

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Repayable:		
Within 3 months	973	937
Between 3 months and 1 year	1,177	1,208
Between 1 and 5 years	4,817	5,998
After 5 years	871	1,865
	<u>7,838</u>	<u>10,008</u>

11. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Equity securities listed in Hong Kong	–	3,859
Convertible bonds	–	36,397
	<u>–</u>	<u>40,256</u>

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

During 2008, the Company purchased 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, amounting to HK\$5,371,000, HK\$16,144,000 and HK\$9,001,000 were denominated in USD, SGD and RMB respectively. All the convertible bonds were disposed of during the period.

12. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments include:

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Mortgage-backed securities quoted in the United States of America	<u>34,024</u>	<u>39,179</u>

As of 30th June, 2009, the available-for-sale investments are denominated in United States dollars. 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 with maturity in February 2035.

13. SHARE CAPITAL OF THE COMPANY

	At 30th June, 2009 & 31st December, 2008 <i>HK\$'000</i>
Authorised: 300,000,000 ordinary shares of HK\$1.00 each	<u>300,000</u>
Issued and fully paid: 225,000,000 ordinary shares of HK\$1.00 each	<u>225,000</u>

14. OPERATING LEASE COMMITMENTS

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

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Within one year	<u>36</u>	<u>—</u>

15. POST BALANCE SHEET EVENT

Subsequent to the end of reporting date on 30th June, 2009, the controlling shareholder entered into a sale and purchase agreement to dispose of its entire shareholding in the Company to an independent third party and the expected date of completion is on 25th September, 2009.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30th June, 2009 (2008: Nil).

DISCUSSION AND ANALYSIS OF INTERIM RESULTS

The Group's treasury investments recorded an increase in profit. The activity level in the Group's mortgage finance business segment remained at a modest level. For the period ended 30th June, 2009, the Group recorded a profit attributable to equity holders of the Company of HK\$2.9 million (2008: loss of HK\$0.2 million) with revenue of HK\$2.1 million (2008: HK\$4.0 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 fluctuations in interest rates in the market. The revenue contributed by mortgage finance amounted to HK\$0.8 million (2008: HK\$0.8 million) but profit contributed by mortgage finance increased to HK\$0.8 million (2008: HK\$0.4 million).

The revenue contributed by the treasury investments increased to HK\$1.3 million (2008: HK\$3.2 million) as a result of an increase in securities trading activities and profit contributed by treasury investments increased to HK\$4.6 million (2008: HK\$1.6 million).

Total assets

At 30th June, 2009, total assets increased to HK\$232.5 million (at 31st December, 2008: HK\$230.3 million). All assets are denominated in Hong Kong dollars except for some bank balances and the available-for-sale investments which are denominated in United States dollars; henceforth there is 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 no listed investments (at 31st December, 2008: HK\$3.9 million) and cash and bank balances amounting to HK\$189.2 million (at 31st December, 2008: HK\$122.5 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, 2008: Nil).

The net asset value of the Group at 30th June, 2009 increased by 1.4% to HK\$231.7 million (at 31st December, 2008: HK\$228.6 million) with the net asset value per share at HK\$1.03 (at 31st December, 2008: HK\$1.02).

Staff and remuneration

The Group had 10 (2008: 10) employees at 30th June, 2009 and total staff costs incurred during the period amounted to HK\$1.0 million (2008: HK\$0.8 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 are no share options granted to employees as at 30th June, 2009 (2008: Nil).

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, 2009.

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, 2009.

The annual review of internal controls in respect of the code provision C.2.1 and C.2.2 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, 2009.

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, 2009 have been reviewed by the audit committee.

Further, the interim results for the six months ended 30th June, 2009 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, 24th September, 2009

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, J.P., Mr. King Chang-Min Stephen and Mr. Patrick Smulders being Independent Non-executive Directors.