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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The Board of Directors (the “Directors”) of The Hong Kong Building and Loan Agency Limited (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010, together with the relevant comparative figures for the previous year as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Revenue	3(a)	18,850	3,845
Interest income		18,850	3,815
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		(44,621)	(2,682)
Realised gain on available-for-sale investments		–	1,574
Dividend income		–	30
Other income	3(b)	1,644	98
Operating expenses		(11,197)	(12,026)
Interest expense on trading account		(624)	–
Gain on disposal of a subsidiary		553	–
(Loss) Profit before taxation	5	(35,395)	3,423
Taxation	6	1,668	(39)

	<i>Notes</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
(Loss) Profit for the year		(33,727)	3,384
Other comprehensive income (expense)			
Fair value change on available-for-sale investments		10,320	699
Deferred tax relating to fair value change on available-for-sale investments		(1,703)	–
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		–	(1,574)
Other comprehensive income (expense) for the year		8,617	(875)
Total comprehensive (expense) income for the year		(25,110)	2,509
(Loss) Profit for the year attributable to the equity holders of the Company		(33,727)	3,384
Total comprehensive (expense) income attributable to the owners of the Company		(25,110)	2,509
		HK cents	<i>HK cents</i> (restated)
(Loss) Earnings per share			
Basic	7	(1.18)	0.12
Diluted		(1.18)	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Equipment		134	184
Mortgage loans	8	128,295	68,268
Loan receivables	11	64,000	–
Available-for-sale investments	10	16,680	–
		<hr/> 209,109	68,452
CURRENT ASSETS			
Mortgage loans	8	1,245	1,562
Financial assets at fair value through profit or loss	9	28,243	109,941
Loan receivables	11	60,000	10,000
Prepayments, deposits and other receivables		21,476	19,350
Tax recoverable		–	127
Bank balances	12	77,055	23,004
		<hr/> 188,019	163,984
CURRENT LIABILITIES			
Other payables and accruals		2,769	1,347
Tax payable		2	–
		<hr/> 2,771	1,347
NET CURRENT ASSETS			
		<hr/> 185,248	162,637
		<hr/> 394,357	231,089
CAPITAL AND RESERVES			
Share capital	13	399,470	225,000
Reserves		(5,113)	6,089
		<hr/> 394,357	231,089

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 Room 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2010 financial year ends.

The application of the new and revised HKFRSs has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets ³
HKFRS 9	Financial Instruments ⁴
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ⁵
HKAS 24 (as revised in 2009)	Related party disclosures ⁶
HKAS 32 (Amendments)	Classification of rights issues ⁷
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 July 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2012.

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

⁷ Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and the directors are still in the progress of assessing the potential impact.

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(a). 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:

	2010	2009
	HK\$'000	HK\$'000
Loan financing:		
Interest on mortgage loans	13,784	1,579
Interest on loan receivables	4,968	115
Treasury investments:		
Interest on bank deposits	3	454
Interest on available-for-sale investments	–	1,422
Interest on held-for-trading investments	–	43
Interest on financial assets designated at fair value through profit or loss	95	202
Dividend income from held-for-trading investments		
Equity securities listed in Hong Kong	–	30
	18,850	3,845

3(b). OTHER INCOME

	2010	2009
	HK\$'000	HK\$'000
Consultancy income	1,500	–
Management fee income	125	–
Other	19	98
	1,644	98

4. SEGMENT INFORMATION

For management purposes, the Group is currently organized into two operating divisions by nature of the business, namely, treasury investment and loan financing.

These divisions are the basis on which, the Board of Directors, being the chief operating decision maker, reviews the operating results and financial information.

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

	2010		Total
	Loan financing	Treasury investments	
	HK\$'000	HK\$'000	HK\$'000
Revenue	18,752	98	18,850
Segment profit (loss)	18,578	(45,213)	(26,635)
Centralised administration costs			(10,813)
Other income			1,500
Gain on disposal of a subsidiary			553
Profit before taxation			(35,395)
Taxation			1,668
			(33,727)
Segment assets	263,341	117,895	381,236
Unallocated assets			15,892
Total assets			397,128

	2010		
	Loan financing HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Other information:			
Interest income	18,752	98	18,850
Write back of impairment allowances on mortgage loans	123	–	123
Net exchange loss	–	(190)	(190)
Fair value changes on financial assets at fair value through profit or loss	–	(44,621)	(44,621)
	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)
Other income			–
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

During the current and prior year, 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 and 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 equipment, prepayments and tax recoverable.

There is no segment liability as at 31 December 2010 and 2009.

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

Information about major customers

Interest income from customers in loan financing business segment contributing over 10% of the total revenue of the Group are as follows:

	Year ended	
	31/12/2010	31/12/2009
	HK\$'000	HK\$'000
Customer A	11,618	–
Customer B	4,790	–

There were no customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2009.

5. (LOSS) PROFIT BEFORE TAXATION

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

	2010 HK\$'000	2009 <i>HK\$'000</i>
Employee benefits expense (including Directors' emoluments):		
Wages, salaries and bonus	3,718	4,603
Retirement benefit costs	81	43
	3,799	4,646
Depreciation	76	52
Auditor's remuneration	430	380
Operating lease payments	758	922
Write back of impairment allowances on mortgage loans	(123)	(52)
Net exchange loss	190	106
Legal and professional fees	1,833	2,603

6. TAXATION

	2010 HK\$'000	2009 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Provision for the year	35	33
– Underprovision in prior years	–	6
	35	39
Deferred tax	(1,703)	–
(Credit) charge for the year	(1,668)	39

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

	2010 HK\$'000	2009 <i>HK\$'000</i>
(Loss) profit before taxation	(35,395)	3,423
Tax at the Hong Kong Profits tax rate of 16.5%	(5,840)	565
Tax effect of non taxable income	(31)	(1,331)
Tax effect of non deductible expenses	432	284
Utilisation of tax losses previously not recognised	(3,014)	(510)
Recognition of tax loss previously not recognised	(1,703)	–
Tax effect of tax losses not recognised	8,490	1,025
Underprovision in prior years	–	6
Others	(2)	–
(Credit) charge for the year	(1,668)	39

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the shareholders of the Company is based on the following data:

	2010	2009
	HK\$'000	<i>HK\$'000</i>
(Loss) profit for the purpose of basic (loss) earnings per share and diluted (loss) earnings per share		
(Loss) profit attributable to shareholders	(33,727)	3,384
	2010	2009
	Shares	<i>Shares</i>
		(restated)
Weighted average number of ordinary share for the purposes of basic and diluted (loss) earnings per share	2,848,023,090	2,787,789,355

The computation of diluted loss per share for the year ended 31 December 2010 does not assume the exercise or conversion of the Company's outstanding options for convertible bonds, convertible bonds or warrants since their exercise or conversion would result in a decrease in the loss per share.

No diluted earnings per share was presented for the year ended 31 December 2009 as there were no potential ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share for the year of 2010 and 2009, have been adjusted for the share subdivision on 10 February 2010 and the bonus element in an open offer on 5 May 2010 as disclosed in notes 13(a) and (b).

8. MORTGAGE LOANS

	The Group	
	2010	2009
	HK\$'000	<i>HK\$'000</i>
Fixed-rate loan receivables	1,699	3,326
Variable-rate loan receivables	127,841	66,504
	129,540	69,830
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the reporting date)	1,245	1,562
Non-current assets (receivable after 12 months from the reporting date)	128,295	68,268
	129,540	69,830

Included in the variable-rate loan receivables are two mortgage loans to a customer amounting to HK\$127,000,000 (31 December 2009: HK\$65,000,000). The loans bear variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited and will mature during January to May 2011. Subsequent to the end of the reporting period, the Group entered into an agreement with the customer to reschedule the repayment of the loan to January 2012.

The credit quality of the loan is satisfactory as the loan is secured by the pledge of properties with a fair value of HK\$430,000,000 at the end of the reporting period. The directors are of the view that the properties collateral can fully cover the outstanding loans after taking into account other mortgages of the properties. Accordingly, no impairment allowance is considered necessary.

The remaining mortgage loans of HK\$2,540,000 (2009: HK\$4,830,000) are secured by mortgage properties. These mortgage loans at 31 December 2010 are net of impairment allowances of approximately HK\$45,000 (2009: approximately HK\$168,000).

The maturity profile of these 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	
	2010	2009
	HK\$'000	HK\$'000
Repayable:		
Within 3 months	897	757
Between 3 months and 1 year	348	805
Between 1 and 5 years	1,169	2,830
After 5 years	126	438
	2,540	4,830

Before accepting any new customer, the Group uses internal assessment system to assess the potential credit quality and determines credit limits by customer. The mortgage loans of approximately HK\$1,705,000 (2009: approximately HK\$4,362,000) 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	
	2010	2009
	HK\$'000	HK\$'000
Within 3 months	835	468

The directors are of the view that no individual impairment allowance is necessary since the outstanding loans are fully secured by the respective mortgage properties.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2010	2009
	HK\$'000	HK\$'000
Held-for-trading investments:		
Equity securities listed in Hong Kong	28,243	64,421
Convertible bonds	–	19,520
	28,243	83,941
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	–	26,000
	28,243	109,941

The held-for-trading investments of the Group as at 31 December 2010 represent the fair values of two equity investments representing 2.14% (2009: 5.00%) and 4.97% (2009: nil) of total outstanding issued shares of the relevant listed entities at the end of the reporting period.

As at 31 December 2010, the fair value of the listed equity security, amounting to HK\$14,760,000, was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange. As the trading of the shares of the other listed equity security, has been suspended from 30 November 2010 to 17 January 2011, the fair value as at 31 December 2010, amounting to HK\$13,483,000, was determined with reference to the closing bid price as at 29 November 2010.

As at 31 December 2009, the fair value of the listed equity security was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

In 2009, the Company purchased a convertible zero coupon bond issued by a company listed on the Hong Kong Stock Exchange with a principal amount US\$10 million at consideration of HK\$19,520,000. The convertible bond was 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 company issuing the bond. The convertible bond was disposed of at a consideration of HK\$21,661,000 during the year, resulting in a gain of HK\$2,141,000.

In 2009, 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 Hong Kong Stock Exchange. 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 was 31 October 2010. The structured secured loan was denominated in USD and carried 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, the fair value of the loan which approximate to its principal amount, was measured based on valuation techniques using inputs derived mainly from observable market data. The outstanding structured secured loan was fully repaid during the year.

10. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments include:

	The Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong	16,680	–

The amount represents the fair value of an equity investment in 4.97% of total outstanding issued shares of listed entity at the end of the reporting period.

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

11. LOAN RECEIVABLES

	The Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount analysed for reporting purposes		
Current assets (receivable within 12 months from the reporting date)	60,000	10,000
Non-current assets (receivable after 12 months from the reporting date)	64,000	–
	124,000	10,000

As at 31 December 2010, loan receivables, which are denominated in HKD, carry fixed interest rates at 8% per annum. A loan receivable amounting to HK\$64,000,000 is secured by promissory notes issued by a listed entity in Hong Kong while another loan receivable amounting to HK\$60,000,000 is secured by a convertible bond issued by a listed entity in Hong Kong. Subsequent to the end of the reporting period, the Group entered into an agreement with the borrower of loan receivable of HK\$64,000,000 to reschedule the repayment of the loan to January 2012.

As at 31 December 2009, the loan receivable of HK\$10,000,000 was denominated in HKD, unsecured, carried a fixed interest rate of 8% per annum and was repayable on demand. The loan was fully repaid during the current year.

No impairment allowance are made for loan receivables which are neither past due nor impaired as at 31 December 2010 and 2009.

The fair value of the Group's loan receivables, 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 loan receivables.

12. BANK BALANCES

The amounts comprise bank balances held by the Group and short-term bank deposits bearing market interest rates ranging from 0.1% to 0.2% (31 December 2009: 0.1% to 0.2%) per annum. The fair value of these assets approximates the corresponding carrying amount.

13. SHARE CAPITAL OF THE COMPANY

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of par value HK\$0.1 each		
As at 1 January 2009 and 31 December 2009	300,000,000	300,000
Share subdivision (note a)	2,700,000,000	N/A
Increase in authorised share capital (note a)	2,000,000,000	200,000
	<hr/>	
As at 31 December 2010	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of par value HK\$0.1 each		
As at 1 January 2009 and 31 December 2009	225,000,000	225,000
Share subdivision (note a)	2,025,000,000	N/A
Issue of ordinary shares (note b)	562,500,000	56,250
Shares placement on 23 Dec 2010 (note c)	1,135,000,000	113,500
Issue of shares upon conversion of convertible bonds (note 14)	47,200,358	4,720
	<hr/>	
As at 31 December 2010	3,994,700,358	399,470
	<hr/>	

Note:

- (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"). Following the Share Subdivision, the authorised share capital of the Company was further 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 rank *pari passu* in all respects with the existing issued shares of the Company.
- (b) On 5 May 2010, the Company allotted and issued 562,500,000 ordinary shares of HK\$0.1 each at a subscription price of HK\$0.1 per share to the existing qualifying shareholders on the basis of one offer share for every four existing shares (the "Open Offer") and 449,999,997 options to subscribe for convertible bonds in a principal amount of HK\$45,000,000 that can be convertible to the Company's shares with a conversion price of HK\$0.1 per share. The fair value of options for convertible bonds amounting to HK\$51.8 million, which was estimated after taking into account the market prices of the Company's ordinary shares, at issue date of the options, is recognised in equity and the difference between the deemed consideration received (which is nil) and fair value of the options to subscribe for convertible bonds is deducted from retained profits. The net proceeds of approximately HK\$54 million after deducting the issue expense of HK\$2.2 million were used as general working capital of the Group. Details of the Open Offer are set out in a prospectus of the Company dated 15 April 2010.
- (c) On 28 December 2010, the Company allotted and issued 1,135,000,000 shares through placement at the price of HK\$0.11 per share. The total gross proceeds of the placement amounted to approximately HK\$124.85 million. The net proceeds from the placing, after the deduction of the placing commission and other related expenses, amounted to approximately HK\$121.73 million.

14. OPTIONS TO SUBSCRIBE CONVERTIBLE BONDS AND CONVERTIBLE BONDS

Pursuant to the open offer as disclosed in note 13(b), the Company issued 449,999,997 options to the subscribers of the offer shares conferring the rights to the holders of the options thereof to subscribe in cash for convertible bonds of the Company in the principal amount of HK\$45,000,000 of HK\$0.10 each at any time during the period from 5 May 2010 to 4 May 2011.

The fair value of the convertible bond options on date of issuance are calculated by the Binomial Model with the following key attributes:

Volatility	101.24%
Share price of the Company	HK\$0.18 (note)
Expected life	1 year
Dividend yield	0%
Risk free rate	0.988%

Note: The share price of the Company was adjusted for the impact of the open offer.

During the period up to maturity date, the convertible bond holders shall be able to convert, but not redeem the convertible bonds, in their entirety (and not in portions). The Company may, during the same period, unilaterally enforce redemption in its sole and absolute discretion, upon obtaining the written confirmation from the convertible bond holders, at 90% of the principal amount without interest. The convertible bonds are zero-coupon, denominated in Hong Kong dollars and will mature on 31 December 2012. The directors consider the convertible bonds as equity instruments of the Company based on the substance of the contractual terms and the definition of a financial liability and an equity instrument.

Unless previously converted by the convertible bond holders before maturity date, on the maturity date, the Company shall have the sole and absolute discretion to determine whether to redeem the convertible bonds on the maturity date at 100% of the principal amount of the convertible bonds or to issue ordinary shares of the Company to the convertible bond holders based on the conversion price of HK\$0.1 per share.

During the current year, 47,793,618 options were exercised by the convertible bond option holders and the Company has issued convertible bonds in the principal amount of HK\$4,779,362 accordingly.

During the current year, convertible bonds in the principal amount of HK\$4,720,036 were converted into 47,720,358 ordinary shares of HK\$0.1 each of the Company. At 31 December 2010, the Company had convertible bonds in the principal amount of HK\$59,326 outstanding and 402,206,379 outstanding options, the exercise in full of these options would result in further issuance of convertible bonds in the principal amount of HK\$40,220,638.

15 WARRANTS

On 10 May 2010, the Company and Fortune (HK) Securities Limited entered into a placing agreement in respect of the placement of 562,000,000 warrants of the Company to independent investors at a price of HK\$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.10 each at a subscription price of HK\$0.18. Subsequently, the placing agent and the Company agreed to vary the warrant placing by terminating the warrant placing agreement dated 10 May 2010 and entering into a supplemental warrant placing agreement on 7 June 2010. Pursuant to the supplemental agreement 7 June 2010, the exercise price was amended from HK\$0.18 to HK\$0.147 per warrant. The placement was completed on 22 June 2010 with the warrants expiring on 21 June 2012. Details of the above are set out in the Company's announcements dated 11 May 2010, 7 June 2010 and 22 June 2010.

No warrant had been exercised during the year ended 31 December 2010.

16. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement dated 25 February 2011, Wise Planner Limited, a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement to acquire the entire share capital of Weldtech Technology Co. Limited ("Weldtech Technology"), a company incorporated in Hong Kong, at a consideration of HK\$2,800,000,000. Weldtech Technology is engaged in the provision of energy monitoring and energy saving solutions and urban facilities to reduce energy consumption and to enhance overall energy efficiency.

The consideration shall be satisfied by (i) HK\$231,000,000 by way of cash; (ii) HK\$1,650,000,000 by way of issue of the convertible notes with the conversion price of HK\$0.16 per conversion share; (iii) HK\$319,000,000 by way of issue of the promissory notes; and (iv) HK\$600,000,000 by way of allotment and issue of the consideration shares at the issue price of HK\$0.16 per consideration share.

The completion of transaction is conditional upon, among others, the approval of the sales and purchase agreement, increase in authorised share capital of the Company by shareholders at the extraordinary general meeting and the conditions mentioned in the sale and purchase agreement. It is estimated that the commission and professional fee in relation to the acquisition is approximately HK\$148,000,000 when the acquisition is completed.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

DISCUSSION AND ANALYSIS OF ANNUAL RESULTS

For the year ended 31 December 2010, the Group recorded a loss attributable to the owners of the Company of approximately HK\$33.7 million (2009: profit of approximately HK\$3.4 million) with revenue of approximately HK\$18.9 million (2009: approximately HK\$3.8 million).

The Group remained debt-free and maintained a liquid position throughout the year. The management of the Group has been cautious in its treasury investment activities and has continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group.

Results for the year

The Group is principally engaged in treasury investments and the provision of loan finance.

The revenue contributed by loan financing record a sharp increase to approximately HK\$18.8 million (2009: approximately HK\$1.7 million) and the profit contributed by loan financing sharply increased to approximately HK\$18.6 million (2009: approximately HK\$1.7 million).

The revenue contributed by the treasury investments decreased to approximately HK\$0.098 million (2009: approximately HK\$2.2 million) as a result of decrease in interest on available-for-sale investments and bank deposits. The loss contributed by treasury investments sharply increased to approximately HK\$45.2 million (2009: profit of approximately HK\$13.3 million).

Total assets

At 31 December 2010, the total assets increased to approximately HK\$397.1 million (2009: approximately HK\$232.4 million). All assets were denominated in Hong Kong dollars except for some bank balances which were denominated in United States dollars; as such, the Group's exposure to foreign exchange currency rate risk was insignificant.

As at 31 December 2010, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK\$16.7 million (2009: Nil) and HK\$28.2 million (2009: approximately HK\$109.9 million), respectively. The available-for-sale investments represent the fair value of an equity investment of a listed entity in Hong Kong at as 31 December 2010. The financial assets at fair value through profit or loss represent held-for-trading investments in two equity securities listed in Hong Kong. As at 31 December 2010, the Group held mortgage loan and loan receivables amounting to approximately HK\$129.5 million (2009: approximately HK\$69.8 million) and approximately HK\$124 million (2009: approximately HK\$10 million), respectively.

The Group maintained a liquid position throughout the year. As at 31 December 2010, the Group held bank balances amounting to approximately HK\$77.1 million (2009: approximately HK\$23 million). Gearing ratio of the Group as at 31 December 2010, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity was zero (2009: 0).

Capital structure

As at 31 December 2010, the Company's issued ordinary share capital was HK\$399,470,036 divided into 3,994,700,358 shares of HK\$0.1 each (31 December 2009: HK\$225,000,000 divided into 225,000,000 shares of HK\$1 each).

Pursuant to the special resolutions passed at the 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 of HK\$0.10 each (the "Subdivided Shares") (collectively, referred to as the "Share Subdivision"), and 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 Subdivided Shares after the completion of the Share Subdivision.

On 5 May 2010, the Company allotted and issued 562,500,000 ordinary shares of HK\$0.1 each to the qualifying shareholders pursuant to an open offer on the basis of one offer share (with a further option to subscribe for convertible bonds ("Option")) for every four existing shares at a subscription price of HK\$0.1 per offer share (collectively, the "Open Offer").

Pursuant to the Open Offer, the Company has issued a total of 449,999,997 Options to the subscribers of the offer shares. Option holders are entitled to subscribe in cash for the zero-coupon convertible bonds of the Company during the period from 5 May 2010 to 4 May 2011 (the "Convertible Bonds"). The Convertible Bonds, if fully subscribed, may be converted into a maximum of 449,999,997 new shares of the Company of HK\$0.1 each ("Share") at the initial conversion price of HK\$0.1 per Share. These Convertible Bonds will mature on 31 December 2012. The Company has sole and absolute discretion to redeem any outstanding Convertible Bonds on the maturity date at 100% of their principal amount or by issuing new Shares to the respective Convertible Bond holders at the conversion price.

During the year under review, 47,793,618 Options were exercised by the Option holders, and the Convertible Bonds in a principal amount of HK\$4,779,362 were issued accordingly.

During the current year, Convertible Bonds in the principal amount of approximately HK\$4,720,036 were converted into 47,200,358 Shares and as at 31 December 2010, the Company had Convertible Bonds in the principal amount of approximately HK\$59,326 outstanding and 402,206,379 Options outstanding. The exercise in full of these outstanding options would result in further issuance of Convertible Bonds in the principal amount of approximately HK\$ 40,220,638, which is convertible into a maximum of 402,206,379 new Shares.

On 10 May 2010, the Company and Fortune (HK) Securities Limited (as the placing agent) entered into a placing agreement in respect of the placement of 562,000,000 warrants of the Company to independent investors at a price of HK\$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.10 each at an exercise price of HK\$0.18 (the "Warrant Placing

Agreement”). In view of the change in market conditions, the placing agent and the Company agreed to vary the Warrant Placing Agreement by terminating the Warrant Placing Agreement and entering into the Supplemental Warrant Placing Agreement on 7 June 2010, pursuant to which the initial exercise price was amended from HK\$0.18 to HK\$0.147 per warrant. The placement was completed on 22 June 2010 and the warrants issued shall expire on 21 June 2012. No warrant had been exercised during the year ended 31 December 2010.

On 12 August 2010, the Company and Kingston Securities Limited (as the placing agent) entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 1,135,000,000 placing shares (“Placing Share(s)”) at a price of HK\$0.11 per Placing Share. On 28 December 2010, the Company completed the placing of 1,135,000,000 shares of the Company at a price of HK\$0.11 per Placing Share. The net proceeds from the placing amounted to approximately HK\$121.73 million.

Charge on group assets and contingent liabilities

The Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2010.

Capital commitment

The Group did not have any capital commitment as at 31 December 2010.

Material acquisitions and disposals of subsidiaries and associated companies

The Group disposed its 100% equity interest in Tack On Limited to a third party for a consideration of HK\$9,700,000 during the year ended 31 December 2010.

Significant investments held

As at 31 December 2010, the Group held available-for-sale financial assets amounted to approximately HK\$16.7 million (2009: Nil) and financial asset at fair value through profit or loss amounted to approximately HK\$28.2 million (2009: approximately HK\$109.9 million).

Fund raising activities

As disclosed under the section headed “Capital Structure” above, during the year under review, the Company had conducted an open offer of shares entitling the subscribers thereof a further Option to subscribe for Convertible Bonds. The aggregate gross proceeds from the open offer were HK\$56.25 million. Assuming full exercise of the Option, an additional maximum amount of HK\$45 million (before expenses) will be raised. As at 31 December 2010, the net proceeds from the open offer (approximately HK\$54 million) and from the exercise of the Option (approximately HK\$4.8 million) had been applied as general working capital of the Group as originally intended.

In addition, the Company entered into the supplemental warrant placing agreement with Fortune (HK) Securities Limited on 7 June 2010 in relation to the placing of 562,000,000 Warrants, at the warrant issue price of HK\$0.01 per Warrant. The warrant placement was completed on 22 June 2010, generating net proceeds of approximately HK\$5.3 million which were applied as general working capital of the Group as originally intended. The warrant exercise price is HK\$0.147 per Share (subject to adjustment) and the Warrants may be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants. No Warrant had been exercised during the period ended 31 December 2010. On such basis, further net proceeds of up to a maximum of approximately HK\$82.6 million from the issue of the new shares upon the exercise of the subscription rights attached to the Warrants may be raised in future.

On 12 August 2010, the Company and Kingston Securities Limited (the “Placing Agent”) entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 1,135,000,000 placing shares (“Placing Share(s)”) at a price of HK\$0.11 per Placing Share. On 28 December 2010, the Company completed the placing of 1,135,000,000 shares of the Company at a price of HK\$0.11 per Placing Share. The net proceeds from the placing amounted to approximately HK\$121.73 million.

Staff and remuneration

The Group had 11 (2009: 12) employees at 31 December 2010 and total staff costs incurred during the year amounted to approximately HK\$3.8 million (2009: approximately HK\$4.6 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option granted or exercised during the year under review.

Outlook

It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value to the Shareholders.

On 23 February 2011, Wise Planner Limited (“Wise Planner”), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) with the vendors (the “Vendors”) and the guarantors (the “Guarantors”) and the Company. Pursuant to the Sale and Purchase Agreement, Wise Planner has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the entire issued share capital of Weldtech Technology Co. Limited (“Weldtech”) at a total consideration of HK\$2,800,000,000. Weldtech is an investment holding company holding the entire equity interest in 日滔貿易(上海)有限公司, a wholly foreign-owned enterprise (“WFOE”) established in the PRC (collectively referred to as “Weldtech Group”). The WFOE is currently actively developing new technology based on ultra performance plant control (“UPPC”) so as to broaden the scope of building energy solution saving, such as the “heating ventilation and air-conditioning” (“HVAC”) airside control optimisation, building energy monitoring system, real-time system fault detection and more advanced optimisation algorithm. The Company has identified the Weldtech Group as an appropriate acquisition target to the Group and is of the view that the acquisition would allow the Group to diversify into a new line of business with significant growth potential.

Hong Kong’s real property market has enjoyed a boom over the year under review which in turn has brought a remarkable increase in the prospect of the Group’s mortgage finance businesses. The management of the Group is optimistic about the Hong Kong real property market in the long run. The Group will continue developing this business while also striving towards strengthening its overall financial position and focusing on the treasury investments. The Directors has continued to review its existing businesses from time to time and seek potential investment opportunities that could enhance the value to the shareholders.

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 year.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

Throughout the year ended 31 December 2010, the Company applied the principles of and complied with most of the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for the insufficient number of independent non-executive Directors and the separation of the roles of Chairman and Chief Executive Officer ("CEO").

The Company has not met the sufficient number of independent non-executive Directors since October 2009. In this regard, the Company has immediately informed the Stock Exchange and made proper disclosure in its announcements containing details and reasons for the Company's failure to meet the minimum number requirements under the Listing Rules. On 15 January 2010, the Company appointed two additional independent non-executive Directors and nominated them to be the members of Audit Committee. The corresponding requirements under the Listing Rules have been fulfilled since then.

Under the Code Provision A.2.1 of the Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Mr. Tang Yu Ming, Nelson resigned as chairman and non-executive Director of the Company with effect from 14 May 2010 and no replacement for the post of Chairman has been appointed as at 31 December 2010. The functions of the CEO are performed by the executive Directors jointly. They are responsible for the executive management of the Company's operations.

MODEL CODE FOR 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 year.

AUDIT COMMITTEE

The audit committee, which comprises the three independent non-executive Directors of the Company, has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2010.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Au Tin Fung
Executive Director

Hong Kong, 23 March 2011

As at the date of this announcement, the Board comprises Mr. Au Tin Fung, Mr. So Yuen Chun and Mr. Soong Kok Meng being executive Directors; Mr. Ng Cheuk Fan, Keith, Mr. Lam Kwok Hing, Wilfred and Mr. Yeung Wai Hung, Peter being independent non-executive Directors.