



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 31ST DECEMBER, 2008

The Board of Directors (the “Directors”) of The Hong Kong Building and Loan Agency Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	3	7,553	11,556
Interest income		7,129	8,672
Net realised loss on held-for-trading investments		–	(335)
Change in fair value of held-for-trading investments		(2,106)	3
Realised gain on available-for-sale investments		22	2
Dividend income		424	2,884
Other income		73	–
Operating expenses	5	(6,589)	(11,321)
Net exchange losses		(333)	(4)
Loss before taxation	5	(1,380)	(99)
Taxation	6	(85)	(2,612)
Loss for the year		(1,465)	(2,711)
Attributable to:			
Equity holders of the Company		(1,465)	(2,711)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	7		
Basic		(0.7)	(1.2)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		114	143
Mortgage loans	8	7,863	4,142
Available-for-sale investments	10	39,179	42,480
		<u>47,156</u>	<u>46,765</u>
CURRENT ASSETS			
Mortgage loans	8	2,145	3,186
Held-for-trading investments	9	40,256	8,024
Prepayments and other receivables		18,300	3,860
Cash and bank balances		122,507	169,198
		<u>183,208</u>	<u>184,268</u>
CURRENT LIABILITIES			
Other creditors and accruals		1,699	1,773
Tax payable		85	–
		<u>1,784</u>	<u>1,773</u>
NET CURRENT ASSETS			
		<u>181,424</u>	<u>182,495</u>
		<u>228,580</u>	<u>229,260</u>
CAPITAL AND RESERVE			
Share capital		225,000	225,000
Reserves		3,580	4,260
		<u>228,580</u>	<u>229,260</u>

Notes:

1. Basis of preparation

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

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

HKAS 39 & HKFRS 7

(Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendments)	Improving disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 9 & HKAS 39	Embedded Derivatives ⁶
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfer of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, which are effective for annual periods beginning on or after 1st July 2009

² Effective for annual periods beginning on or after 1st January 2009

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

⁴ Effective for annual periods beginning on or after 1st July 2008

⁵ Effective for annual periods beginning on or after 1st October 2008

⁶ Effective for annual periods beginning on or after 30th June 2009

⁷ Effective for transfers of assets from customers received on or after 1st July 2009

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 results and the financial position of the Group.

3. Revenue

Revenue represents interest income on mortgage loans and net gain on 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:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage finance:		
Interest on mortgage loans	1,779	1,199
Treasury investments:		
Interest on bank deposits	3,111	7,388
Interest on available-for-sale investments	2,230	85
Interest on held-for-trading investments	9	–
Dividend income	424	2,884
	7,553	11,556

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into two operating divisions – mortgage finance and treasury investments. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

- (a) the mortgage finance segment engages in the provision of mortgage finance and other related services; and
- (b) the treasury investments segment includes interest income on bank deposits, securities trading and dividend income.

Segment information about these businesses is presented below:

	2008		Total HK\$'000
	Mortgage finance HK\$'000	Treasury investments HK\$'000	
Revenue	<u>1,779</u>	<u>5,774</u>	<u>7,553</u>
Segment result	<u>1,361</u>	<u>3,356</u>	4,717
Unallocated expenses			<u>(6,097)</u>
Loss before taxation			(1,380)
Taxation			<u>(85)</u>
Loss for the year			<u>(1,465)</u>
Segment assets	<u>12,541</u>	<u>217,268</u>	229,809
Unallocated assets			<u>555</u>
Total assets			<u>230,364</u>
Segment liabilities	<u>2</u>	<u>–</u>	2
Unallocated liabilities			<u>1,782</u>
Total liabilities			<u>1,784</u>
Other information:			
Impairment allowances on mortgage loans	(24)	–	(24)
Net exchange loss	–	(333)	(333)
Loss on fair value of held-for-trading investments	–	(2,106)	(2,106)
Unallocated:			
Capital additions			(18)
Depreciation			<u>(47)</u>

	2007		
	Mortgage finance <i>HK\$'000</i>	Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	1,199	10,357	11,556
Segment result	1,171	10,027	11,198
Unallocated expenses			(11,297)
Loss before taxation			(99)
Taxation			(2,612)
Loss for the year			(2,711)
Segment assets	9,297	221,200	230,497
Unallocated assets			536
Total assets			231,033
Segment liabilities	4	–	4
Unallocated liabilities			1,769
Total liabilities			1,773
Other information:			
Impairment allowances on mortgage loans	(28)	–	(28)
Net loss on held-for-trading investments	–	(332)	(332)
Unallocated:			
Capital additions			(150)
Depreciation			(24)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the assets:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	4,689	11,471
Singapore	9	–
European Union countries	625	–
United States of America	2,230	85
	7,553	11,556

Segment assets and capital expenditure are based on the geographical location in which the assets are located at the balance sheet date:

	Carrying amount of segment assets		Additions to plant and equipment	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	142,550	188,009	18	150
People's Republic of China	9,001	–	–	–
Singapore	16,183	–	–	–
European Union countries	17,537	–	–	–
United States of America	45,093	43,024	–	–
	230,364	231,033	18	150

5. Loss before taxation

Loss before taxation has been arrived at after charging:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Employee benefits expense (including Directors' emoluments):		
Wages, salaries and bonus	2,794	4,178
Retirement benefit costs	34	30
	2,828	4,208
Depreciation	47	24
Auditor's remuneration	460	460
Operating lease payments	85	85
Impairment allowances on mortgage loans	24	28
Legal and professional fees	1,365	4,870

6. Taxation

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong		
Current tax	85	–
Deferred tax:		
Current year	–	2,612
	<u>85</u>	<u>2,612</u>
	<u>85</u>	<u>2,612</u>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. The tax charge for prior year represents the reversal of deferred tax assets arising from unused tax losses in previous years due to the management of the Company is uncertain as to the timing on the utilisation of tax losses.

7. Loss per share

Basic loss per share is calculated based on the loss for the year attributable to equity holders of the Company of HK\$1,465,000 (2007: HK\$2,711,000) and on 225,000,000 (2007: 225,000,000) ordinary shares in issue during the year.

No diluted loss per share is presented as there were no potential ordinary shares during the years.

8. Mortgage loans

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Fixed-rate loan receivables	7,057	4,854
Variable-rate loan receivables	2,951	2,474
	<u>10,008</u>	<u>7,328</u>
	<u>10,008</u>	<u>7,328</u>
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the balance sheet date)	2,145	3,186
Non-current assets (receivables after 12 months from the balance sheet date)	7,863	4,142
	<u>10,008</u>	<u>7,328</u>
	<u>10,008</u>	<u>7,328</u>

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

Balance of mortgage loans at 31st December, 2008 is net of accumulated impairment allowances of HK\$220,000 (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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Repayable:		
Within three months	937	2,631
Between three months and one year	1,208	555
Between one and five years	5,998	3,201
After five years	1,865	941
	<u>10,008</u>	<u>7,328</u>

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 the timely repayment of the principal.

The ageing of mortgage loans, net of impairment allowances, which are past due but not impaired, at the balance sheet date is analysed as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within three months	<u>563</u>	<u>2,462</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 current applicable interest rate at 31st December, 2008 approximates to the carrying amount of the mortgage loans.

9. Held-for-trading investments

Held-for-trading investments include:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Equity securities listed in Hong Kong	3,859	8,024
Convertible bonds	36,397	–
	<u>40,256</u>	<u>8,024</u>

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

During the year, 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 are 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 are determined based on the quoted market bid prices obtained from brokers and with reference to those of price servicing agencies. The convertible bonds, amounting to HK\$5,371,000, HK\$16,144,000 and HK\$9,001,000 are denominated in USD, SGD and RMB respectively.

10. Available-for-sale investments

Available-for-sale investments include:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage-backed securities quoted in the United States of America	39,179	42,480

As of 31st 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 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.

DIVIDEND

The Directors do not recommend the payment of a final dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

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 year ended 31st December, 2008, the Group recorded a loss attributable to equity holders of the Company of HK\$1.5 million (2007: HK\$2.7 million) with revenue of HK\$7.6 million (2007: HK\$11.6 million).

Results for the year

The principal businesses of the Group remained mortgage finance and treasury investments.

The competition in mortgage finance market remained keen and interest margin continued to remain low. The revenue contributed by mortgage finance increased to HK\$1.8 million (2007: HK\$1.2 million) and the profit contributed by mortgage finance increased to HK\$1.4 million (2007: HK\$1.2 million).

The revenue contributed by the treasury investments dropped to HK\$5.8 million (2007: HK\$10.4 million) as a result of decrease in securities trading activities. The profit contributed by treasury investments decreased to HK\$3.4 million (2007: HK\$10.0 million).

Financial position

At 31st December, 2008, total assets decreased slightly to HK\$230.0 million (2007: HK\$231.0 million). All assets were denominated in Hong Kong dollars except for the available-for-sale investments which were denominated in United States dollars and some of the convertible bonds investments which were denominated in Singapore dollars, United States dollars and Chinese Renminbi Yuan; 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 year. At the balance sheet date, the Group had held-for-trading investments amounting to HK\$40.3 million (2007: HK\$8.0 million) and bank balances amounting to HK\$122.5 million (2007: HK\$169.2 million).

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 year (2007: Nil).

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

Staff and remuneration

The Group had 10 (2007: 9) employees at 31st December, 2008 and total staff costs incurred during the year amounted to HK\$2.8 million (2007: HK\$4.2 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option granted or exercised during the year after the adoption of the share option scheme approved in the AGM of the Company held on 22nd May, 2008.

Outlook

The Group continues to maintain its traditional principal activities after the takeover by the new management during 2007. 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.

BUSINESS REVIEW AND PROSPECTS

Business review

For the year under review, the Group's revenue was HK\$7.6 million and the loss attributable to equity holders of the Company was HK\$1.5 million. The Group was debt-free and maintained a strong liquidity position.

Prospects

The uncertainties relating to the future course of interest rate and the implementation of economic stimulus measures in Mainland China in response to its changing economic situation continue to bear significant impact on the outlook for the Hong Kong economy. In addition, the recent turmoil in the US sub-prime mortgage market continues to have an impact on the Hong Kong economy and more generally on the global equity and credit markets. Consequently, management continues to exercise caution in the extension of credit and is comfortable with the level of the Group's activities. While we always stay alert to the challenges as well as opportunities brought about by these uncertainties, we remain cautiously optimistic the Group should be able to progress well in the year 2009.

PURCHASE, SALE AND 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.

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 ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 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 corporate governance report contained in the Company's annual report for the financial year ended 31st December, 2008.

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 31st December, 2008.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte 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 HKICPA and consequently no assurance has been expressed by Deloitte on the preliminary announcement.

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

Hong Kong, 26th March, 2009

At the date of this announcement, the Directors of the Company comprise Messrs. John Zwaanstra (Chairman), John Pridjian (Chief Executive), Todd David Zwaanstra and Jonathon Jarrod Lawless being the Executive Directors and Messrs. Alan Howard Smith, J.P., Stephen King Chang-Min and Patrick Smulders being the Independent Non-Executive Directors.