



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, 2004

FINAL RESULTS

The Directors of The Hong Kong Building and Loan Agency Limited (the “Company”) announce that the audited consolidated final results of the Company and its subsidiaries (together, the “Group”) for the year ended 31st December, 2004 together with the comparative figures for the corresponding period in 2003 are as follows:

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	3	189,682	74,390
Cost of sales		(173,426)	(70,517)
Gross profit		16,256	3,873
Other revenue		91	348
Administrative expenses		(2,938)	(3,284)
Other operating expenses		(2,210)	(394)
Exchange gains/(losses), net		2,194	(199)
Unrealised holding gain/(loss) on other investments in securities		(622)	4,585
Provision for impairment in value for investment securities		(3,600)	(4,198)
Profit before tax	4	9,171	731
Tax	5	(886)	4,282
Net profit from ordinary activities attributable to shareholders		8,285	5,013
		HK cents	HK cents
Earnings per share	6		
Basic		3.7	2.2
Diluted		N/A	N/A

Note:

- Principal accounting policies
The accounting policies and disclosure practices adopted in the preparation of the final results are consistent with those adopted in the year 2003. The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004. The new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

2. Segment information
Segment information is presented by way of business segment as the primary reporting format and geographical segment as the secondary reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. In respect of geographical segment reporting, turnover is based on the location of customers. Description of the business segments is as follows:

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

An analysis of the Group's turnover and results by business segment and geographical segment is as follows:

Business segment

	2004				2003			
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Other HK\$'000	Total HK\$'000	Mortgage finance HK\$'000	Treasury investments HK\$'000	Other HK\$'000	Total HK\$'000
Turnover	482	189,200	–	189,682	946	73,444	–	74,390
Other revenue	91	–	–	91	348	–	–	348
	<u>573</u>	<u>189,200</u>	<u>–</u>	<u>189,773</u>	<u>1,294</u>	<u>73,444</u>	<u>–</u>	<u>74,738</u>
Segment results	<u>573</u>	<u>17,069</u>	<u>(3,600)</u>	14,042	<u>1,593</u>	<u>7,512</u>	<u>(4,198)</u>	4,907
Unallocated corporate expenses				(4,871)				(4,176)
Profit before tax				9,171				731
Tax				(886)				4,282
Net profit from ordinary activities attributable to shareholders				<u>8,285</u>				<u>5,013</u>

Geographical segment

	2004				Total HK\$'000
	Hong Kong HK\$'000	Singapore HK\$'000	Japan HK\$'000	Other HK\$'000	
Revenue	<u>88,132</u>	<u>57,584</u>	<u>30,994</u>	<u>13,063</u>	<u>189,773</u>
Segment results	<u>5,327</u>	<u>4,885</u>	<u>3,611</u>	<u>219</u>	<u>14,042</u>
	2003				Total HK\$'000
	Hong Kong HK\$'000	Singapore HK\$'000	Japan HK\$'000	Other HK\$'000	
Revenue	<u>66,117</u>	<u>8,621</u>	<u>–</u>	<u>–</u>	<u>74,738</u>
Segment results	<u>2,457</u>	<u>1,545</u>	<u>–</u>	<u>905</u>	<u>4,907</u>

During the current and prior years, there were no intersegment transactions.

3. Turnover
Turnover represents interest income on mortgage loans and gross income on treasury investments which includes sales proceeds from securities trading, interest income on bank deposits and dividend income.

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Mortgage finance:		
Interest on mortgage loans	482	946
Treasury investments:		
Interest on bank deposits	1,136	1,923
Sale of other investments in securities	186,857	70,851
Dividend income	539	670
Other investment income	668	—
	<u>189,682</u>	<u>74,390</u>

4. Profit before tax
Profit before tax is arrived at after crediting/(charging):

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Depreciation	(16)	(3)
Net realised gain on disposal of other investments in listed securities	<u>13,431</u>	<u>334</u>

5. Tax
No provision for Hong Kong profits tax has been made for the year as the Group had applied the tax loss brought forward from prior years to offset the estimated profits earned during the year. No provision for Hong Kong profits tax had been made in the prior year as the Group did not generate any assessable profits during that year.

	2004 <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>
Hong Kong		
Deferred tax charge/(credit)	<u>886</u>	<u>(4,282)</u>

6. Earnings per share
- (a) Basic earnings per share
Basic earnings per share is calculated based on (i) the net profit from ordinary activities attributable to shareholders of HK\$8,285,000 (2003 – HK\$5,013,000); and (ii) the number of 225,000,000 ordinary shares (2003 – 225,000,000 ordinary shares) in issue during the year.
- (b) Diluted earnings per share
No diluted earnings per share is presented for the years ended 31st December, 2003 and 2004 as there were no dilutive potential ordinary shares during these two years.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2004, Hong Kong's economy continued to benefit from the implementation of the Closer Economic Partnership Arrangement between China Mainland and Hong Kong and the surge of China Mainland tourists to Hong Kong. The global economy also expanded by 4 per cent., the best since 2000. The Group took advantage of the strong rebound in both the local and global economy by seeking good investment opportunities in Hong Kong and overseas, and achieved encouraging results. For the year ended 31st December, 2004, the Group recorded a net profit attributable to shareholders of HK\$8.3 million, being 65 per cent. higher than the HK\$5 million recorded in last year.

Results for the year

Due to the robust market conditions during the year, the Group's total turnover increased by 155 per cent. to HK\$189.7 million (2003 – HK\$74.4 million) for the year 2004, mainly arising from active trading of securities investments. Mortgage finance and treasury investments (which includes securities investment and other treasury activities) remained the principal businesses of the Group.

The Group took advantage of the improved market conditions in both Hong Kong and overseas securities markets and invested in higher yield securities to enhance returns. Total returns from these investments for the year amounted to HK\$12.8 million (2003 – HK\$4.9 million), of which HK\$8.4 million (2003 – HK\$2.5 million) related to overseas investments mainly in Singapore and Japan.

In view of the weak loan demand and narrowing interest margin, lending business in Hong Kong remained competitive and challenging. Total loan portfolio of the Group reduced and interest income from mortgage finance dropped. Management continued to monitor the portfolio and loan loss was kept to a minimum.

With tightening cost control, the Group's administrative expenses reduced by 11 per cent. from HK\$3.3 million to HK\$2.9 million. In addition to improving operational performance and cost efficiency, the Group was devoted to exploring growth in existing businesses and various new potential investment opportunities. The associated costs incurred resulted in a rise of other operating expenses from HK\$0.4 million to HK\$2.2 million in 2004. A provision for impairment in value of HK\$3.6 million (2003 – HK\$4.2 million) was made against its long term investment securities during the year.

Financial position

As at 31st December, 2004, the net asset value of the Group increased by 4 per cent. to HK\$219 million (2003 – HK\$211 million) with the net asset value per share stood at HK\$0.97 (2003 – HK\$0.94). Assets denominated in Hong Kong dollars and United States dollars amounted to 62 per cent. (2003 – 88 per cent.) of the total assets. The remaining balance was mainly denominated in Singapore dollars and Japanese yen. The Group considered that its exposure to exchange rate risk was not material, but shall remain alert to changing global circumstances which may affect exchange rate exposure.

The Group maintained a very strong liquidity position throughout the year and is currently 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 (2003 – Nil).

Staff and remuneration

The Group had 16 (2003 – 14) employees as at 31st December, 2004 and total staff costs incurred during the year amounted to HK\$1.9 million which was 13 per cent. lower than the HK\$2.2 million recorded in 2003. The Group offers competitive remuneration packages to its employees. Currently, there is no share option scheme for employees.

Outlook

With continued improvement of the economy and market sentiment, the Group is cautiously optimistic about the economic performance of Hong Kong in 2005. It will continue to leverage its strong financial position to seize investment opportunities with attractive returns in order to optimise the value of its resources. However, the Group shall remain very cautious on risk management and changing global economic and political conditions, and their impact on the Group's business development.

DIVIDENDS

The Directors have resolved not to recommend payment of any final dividend for the year ended 31st December, 2004 (2003 – Nil). No interim dividend was declared for the year (2003 – Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

Following the growth of the global economy and improved local economic conditions, the Hong Kong economy enjoyed a strong rebound in 2004. Low cost of funds and renewed confidence boosted the property and securities markets.

During the year, the Group took advantage of the continuously improving securities markets and invested in higher yield securities which brought satisfactory returns. The rebound of property market as well as the growth of retail sales improved the consumer confidence and investment climate. However, with narrow interest margin and increased competition, mortgage finance business remained challenging. The loan portfolio of the Group and the income generated from mortgage finance dropped further.

For the year under review, the Group's turnover increased substantially to HK\$189.7 million and achieved a net profit attributable to shareholders of HK\$8.3 million. The Group was debt-free and maintained a strong liquidity position.

Prospects

It is expected that Hong Kong will continue to benefit from the economic growth of China Mainland and the central government's favourable policies. The economic outlook of Hong Kong is generally optimistic despite the expected increase in interest rates. With its strong financial position, the Group is well-positioned to seize new investment opportunities to expand its income base.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2004, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31st December, 2004, except that non-executive Directors (other than the three independent non-executive Directors appointed during the year with a term of two years) were not appointed for a specific term as required by paragraph 7 of the Code. Save for Mr. Ning Gaoning who is the Chairman of the Company, all the non-executive Directors are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements for the year ended 31st December, 2004.

ANNUAL REPORT

The annual report of the Company for the year ended 31st December, 2004 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in force prior to 31st March, 2004, which remains applicable to results announcements in respect of accounting periods commencing before 1st July, 2004 under the transitional arrangements, will be published on the Stock Exchange's website in due course.

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Jark Pui Lee
Director

Hong Kong, 17th March, 2005

As at the date of this announcement, the Board of Directors of the Company comprises eleven directors, of which Messrs. Ning Gaoning, Leon Nim Leung Chan, Michael Kwok Shung Chan and Wai Lam Chan as non-executive Directors, Messrs. David T. Yeh, Jark Pui Lee, Jonathan Miles Foxall and Tai Chiu Ng as executive Directors and Dr. Nai Kong Leung and Messrs. King Fai Tsui and Victor Ha Kuk Yung as independent non-executive Directors.