



**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, 2006

The Board of Directors (“Board”) of The Hong Kong Building and Loan Agency Limited (“Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30th June, 2006 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2006	2005
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	5	36,344	67,999
Interest income		4,020	1,684
Net realised gain on disposal of investments held-for-trading		2,245	416
Unrealised (loss) gain on investments held-for-trading		(631)	661
Other investment income		853	228
Other income		128	201
Administrative expenses		(828)	(1,365)
Other operating expenses		(1,681)	(1,060)
Net exchange losses		–	(2,789)
Profit (loss) before taxation	6	4,106	(2,024)
Taxation	7	(31)	–
Profit (loss) for the period		4,075	(2,024)
Attributable to:			
Equity holders of the Company		4,075	(2,024)
		HK cents	HK cents
Earnings (loss) per share	8		
Basic		1.8	(0.9)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	At 30th June, 2006 (Unaudited) HK\$'000	At 31st December, 2005 (Audited) HK\$'000
NON-CURRENT ASSETS			
Plant and equipment		20	10
Mortgage loans	9	6,044	723
Deferred tax asset		3,365	3,396
		<u>9,429</u>	<u>4,129</u>
CURRENT ASSETS			
Mortgage loans	9	3,544	4,457
Investments held-for-trading	10	27,466	41,495
Prepayments, deposits and other receivables		437	423
Cash and bank balances		184,801	170,940
		<u>216,248</u>	<u>217,315</u>
CURRENT LIABILITIES			
Other creditors and accruals		992	834
NET CURRENT ASSETS			
		<u>215,256</u>	<u>216,481</u>
		<u>224,685</u>	<u>220,610</u>
CAPITAL AND RESERVE			
Share capital		225,000	225,000
Reserve		(315)	(4,390)
		<u>224,685</u>	<u>220,610</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results 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 all the new standard, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

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

	Six months ended 30th June, 2006		
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Segment Revenue:			
Revenue	829	35,515	36,344
Other income	128	–	128
	<u>957</u>	<u>35,515</u>	<u>36,472</u>
Segment result	<u>791</u>	<u>5,658</u>	<u>6,449</u>
Unallocated expenses			(2,343)
Profit before taxation			4,106
Taxation			(31)
Profit for the period			<u>4,075</u>

	Six months ended 30th June, 2005		
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Segment Revenue:			
Revenue	127	67,872	67,999
Other income	128	73	201
	<u>255</u>	<u>67,945</u>	<u>68,200</u>
Segment result	<u>196</u>	<u>97</u>	293
Unallocated expenses			(2,317)
Loss before taxation			(2,024)
Taxation			–
Loss for the period			<u>(2,024)</u>

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

Geographical segments

During the period under review, less than 10% of the operations of the Group in terms of revenue, segment results and assets were carried on or were situated outside Hong Kong. Accordingly, no geographical segmental information is shown.

5. REVENUE

Revenue 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 revenue of the Group by principal activity is as follows:

	Six months ended 30th June,	
	2006 HK\$'000	2005 HK\$'000
Mortgage finance:		
Interest on mortgage loans	829	127
Treasury investments:		
Interest on bank deposits	3,191	1,557
Sales proceeds of investments held-for-trading	31,471	66,087
Dividend income	853	228
	<u>36,344</u>	<u>67,999</u>

6. PROFIT (LOSS) BEFORE TAXATION

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

	Six months ended 30th June,	
	2006 HK\$'000	2005 HK\$'000
Depreciation	(3)	(12)
Operating leases payments	(42)	(453)
Impairment allowances for mortgage loans	<u>(166)</u>	<u>(59)</u>

7. TAXATION

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong		
Current tax	–	–
Deferred tax:		
Current period	31	–
	<u>31</u>	<u>–</u>

No current tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. For the six months ended 30th June, 2006, tax charge represents utilisation of deferred tax assets recognised in prior years. No provision for Hong Kong Profits Tax has been made in the prior period as the Group did not generate any assessable profits during the prior period.

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the period.

8. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated based on the profit for the period attributable to equity holders of the Company of HK\$4,075,000 (2005: loss of HK\$2,024,000) and on 225,000,000 (2005: 225,000,000) ordinary shares in issue during the period.

No diluted earnings (loss) per share is presented for the periods ended 30th June, 2006 and 2005 as there were no potential ordinary shares during these two periods.

9. MORTGAGE LOANS

	At 30th June, 2006 HK\$'000	At 31st December, 2005 HK\$'000
Fixed-rate loan receivables	2,089	4,000
Variable-rate loan receivables	7,499	1,180
	<u>9,588</u>	<u>5,180</u>

Carrying amount analysed for reporting purposes:

Current assets (receivables within 12 months from the balance sheet date)	3,544	4,457
Non-current assets (receivables after 12 months from the balance sheet date)	6,044	723
	<u>9,588</u>	<u>5,180</u>

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

Included in the carrying amount of loan receivables at 30th June, 2006 is accumulated impairment allowances of HK\$171,000 (at 31st December, 2005: HK\$151,000).

The aged analysis of the mortgage loans, based on payment due date, and net of allowance, is as follows:

	At 30th June, 2006 HK\$'000	At 31st December, 2005 HK\$'000
0 – 30 days	9,487	4,483
31 – 180 days	–	552
181 – 365 days	101	145
	<u>9,588</u>	<u>5,180</u>

The fair value of the Group's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the effective interest rate at 30th June, 2006, approximates to the carrying amount of the loans.

10. INVESTMENTS HELD-FOR-TRADING

Investments held-for-trading include:

	At 30th June, 2006 HK\$'000	At 31st December, 2005 HK\$'000
Equity securities listed in Hong Kong	27,466	41,495

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (2005: Nil).

DISCUSSION AND ANALYSIS OF INTERIM RESULTS

As highlight by various economic indicators, there had been robust growth in Hong Kong economy during the interim period. The Group's treasury investments recorded significant increases in profit in line with rises in stock markets though market volatility always persists. On the other hand, activity level in the Group's mortgage finance business segment still remained at low level reflecting the general state of property transactions in Hong Kong. For the period ended 30th June, 2006, the Group recorded a profit attributable to equity holders of the Company of HK\$4.1 million (2005: loss of HK\$2.0 million) with revenue of HK\$36.3 million (2005: HK\$68.0 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 successive increases in interest rates in the market. The revenue contributed by mortgage finance increased to HK\$0.8 million (2005: HK\$0.1 million) and profit contributed by mortgage finance also increased to HK\$0.8 million (2005: HK\$0.2 million).

The revenue contributed by the treasury investments dropped to HK\$35.5 million (2005: HK\$67.9 million) as a result of decrease in securities trading activities. However, profit contributed by treasury investments increased to HK\$5.7 million (2005: HK\$0.1 million).

Total assets

At 30th June, 2006, total assets increased to HK\$225.7 million (at 31st December, 2005: HK\$221.4 million). All assets are denominated in Hong Kong dollars and henceforth there was no exposure to exchange rate risk.

The Group maintained a very strong liquidity position throughout the period. At the balance sheet date, the Group had listed investments amounting to HK\$27.5 million (at 31st December, 2005: HK\$41.5 million) and cash and bank balances amounting to HK\$184.8 million (at 31st December, 2005: HK\$170.9 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, 2005: Nil).

The net asset value of the Group at 30th June, 2006 increased by 1.86% to HK\$224.7 million (at 31st December, 2005: HK\$220.6 million) with the net asset value per share stood at HK\$1.00 (at 31st December, 2005: HK\$0.98).

Staff and remuneration

The Group had 10 (2005: 16) employees at 30th June, 2006 and total staff costs incurred during the period amounted to HK\$0.7 million (2005: HK\$0.7 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option scheme for employees.

BUSINESS OUTLOOK

Amid challenges of regime of persistently high level of oil and other commodity prices which increase inflationary expectation, we are cautiously optimistic that Hong Kong economy in close proximity to the booming mainland China should fare better than the other economic counterparts. In light of more indicators suggesting an end to the cyclical increases of interest rate, the property transaction volume and prices may be able to pick up by the end of the year. If such expectation comes true, the domestic consumer confidence will be able to gain momentum and various categories of economic activities in Hong Kong should benefit. Bearing the aforesaid threats and opportunities, the management is making best effort to deliver satisfactory results of the Group for the remaining half of the year.

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, 2006.

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 six months ended 30th June, 2006 except for the deviation from code provision A.4.2.

Code provision A.4.2 stipulates, inter alia, that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

According to the Articles of Association of the Company then in effect prior to 12th May, 2006, any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

To comply with this code provision, relevant amendments to the Articles of Association of the Company were proposed and approved by the shareholders at the annual general meeting of the Company held on 12th May, 2006.

The annual review of internal controls in respect of the code provision C.2.1 of the CG Code will be reported upon in the forthcoming corporate governance report to be contained in the Company's annual report for the financial year ending 31st December, 2006.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2006. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standards 700 issued by the HKICPA as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Akihiro Nagahara
Chairman

Hong Kong, 7th September, 2006

As at the date of this announcement, the Directors of the Company comprise Messrs. Akihiro Nagahara (Chairman), Stephen Lo Kam Fai (Chief Executive) and Edwin Lo King Yau being the Executive Directors and Messrs. Chan Bo Ching, Li Chak Hung and Yuen Wai Ho being the Independent Non-Executive Directors.