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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL RESULTS
OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2019**

References are made to the annual results announcement and annual report of The Hong Kong Building and Loan Agency Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) for the year ended 31 December 2019 published by the Company on 27 March 2020 and 10 May 2020 respectively (together, the “**2019 Annual Results**”) and the annual report for the year 2019 published on 14 May 2020 (“**2019 Annual Report**”). Unless defined otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the 2019 Annual Results.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide certain additional information in relation to the 2019 Annual Results.

BASIS FOR QUALIFIED OPINION

As disclosed in the “Basis for qualified opinion” section of the 2019 Annual Report, the auditors of the Company (the “**Auditors**”) expressed a qualified opinion (the “**Qualified Opinion**”) regarding the following matter:

In the annual report for the year 2018 (the “**2018 Annual Report**”), the auditors have issued a disclaimer of opinion due to, inter alia, the recoverable amount of the intangible assets of approximately HK\$101,000,000 as at 31 December 2018. The recoverable amount of the intangible assets was estimated by reference to the value in use of the design and provision of energy saving solutions cash generating unit (the “**CGU**”) in the energy saving solution business segment to which the intangible assets belong. The value in use of the CGU was estimated based on cash flow projections of the CGU. The preparation of the cash flow projections involved management making certain key assumptions, including the assumption that the Group would be able to obtain additional working capital required for payment by the CGU of the costs of design, procurement and installation of the CGU’s proprietary UPPC Systems as well as maintenance costs over the contract period for the new contracts included in the cash flow projections. The CGU would not be able to meet the cash flow projections if the Group were to be unable to obtain the additional working capital due to the factors concerning the material uncertainties about the Group’s ability to continue as a going concern, in which event adjustments would have to be made to further write down the carrying value of the intangible assets as at 31 December 2018.

The possible effects of the adjustments referred to above were not reflected in the consolidated financial statements of the Group for the financial year ended 31 December 2018 and the auditors were unable to determine whether any adjustments were necessary. The audit opinion on the consolidated financial statements for the financial year ended 31 December 2018 was modified accordingly. Since opening balances as at 1 January 2019 affect the determination of the results of operations for the year ended 31 December 2019, any adjustments found to be necessary on the carrying value of the intangible assets as at 31 December 2018 would have consequential effects on the impairment loss recognised on intangible assets, and hence on loss and amounts presented in consolidated statement of cash flows of the Group, for the year ended 31 December 2019. Accordingly, any adjustments found to be required to the carrying value of the intangible assets as at 31 December 2018 may have consequential significant effects on the consolidated financial statements for the year ended 31 December 2019, including the comparative figures for the preceding financial year, and hence on the net liabilities of the Group as at 31 December 2018 and the loss and amounts presented in consolidated statement of cash flows for the years ended 31 December 2019 and 2018.

Except for the possible effects of the matter described, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019.

THE VIEW OF THE MANAGEMENT AND THE AUDIT COMMITTEE

The Management and the audit committee of the Company agreed with the view of the Auditors as to the basis of the Qualified Opinion in relation to the possible effects of the matter described. After discussion with the Auditors, the Management understood that as the Group's financial information of the corresponding period (namely the year of 2019) will be required to be disclosed as comparative figures in the consolidated financial statements of the Group for the year of 2020, the Auditors may issue qualified opinion on the Group's consolidated financial statements for the year of 2020 because of the consequential effects on the comparability of the corresponding 2019 figures.

By order of the Board
The Hong Kong Building and Loan Agency Limited
Chong Kok Leong
Executive Director

Hong Kong, 20 May 2020

As at the date of this announcement, the Board comprises Dr. Li Ai Guo, Mr. Chong Kok Leong and Mr. Zhuang Miao Zhong being the executive Directors; and Mr. Choy Hiu Fai, Eric, Mr. Huang Lizhi and Mr. Ng Kay Kwok being the independent non-executive Directors.