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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)

**TERMINATION OF WARRANT PLACING
AGREEMENT AND ENTERING INTO OF
SUPPLEMENTAL WARRANT PLACING AGREEMENT
AND
RESUMPTION OF TRADING**

Placing Agent



Fortune (HK) Securities Limited

**TERMINATION OF WARRANT PLACING AGREEMENT AND
ENTERING INTO OF SUPPLEMENTAL WARRANT PLACING
AGREEMENT**

Reference is made to the announcement of the Company dated 11 May 2010 wherein it was announced, *inter alia*, that on 10 May 2010, the Company entered into the Warrant Placing Agreement with the Placing Agent whereby the Company appointed the Placing Agent as the sole and exclusive placing agent to procure the Placees to subscribe for up to 562,000,000 Warrants, on a best effort basis, at the Warrant Issue Price of HK\$0.01 per Warrant.

The Board announces that in view of the change in market conditions, the Placing Agent has requested, and the Company has 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 the Supplemental Warrant Placing Agreement, the Company appointed the Placing Agent as the sole and exclusive agent to procure Placees to subscribe for 562,000,000 Warrants, on a fully underwritten basis, at the Warrant Issue Price of HK\$0.01 per Warrant.

Notwithstanding the termination of the Warrant Placing Agreement, the terms of the Supplemental Warrant Placing Agreement are largely based on the Warrant Placing Agreement, save and except for the terms and conditions relating to (1) the fully underwritten basis; (2) the Warrant Exercise Price and (3) the Placing Period.

Under the Supplemental Warrant Placing Agreement, the Warrants entitle the Placees to subscribe for a maximum of 562,000,000 New Shares at an initial Warrant Exercise Price of HK\$0.147 per New Share for a period of 24 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share.

Completion of the Supplemental Warrant Placing Agreement is subject to the fulfillment of the conditions stated in the section headed “Conditions of the Warrant Placing” in this announcement.

It is intended that the net proceeds from the Warrant Placing of approximately HK\$5.3 million will be applied as general working capital of the Group, and any additional proceeds from the issue of the New Shares upon the exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of approximately HK\$82.6 million will be applied as general working capital and as funds for future development of the Group.

The New Shares to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate. Assuming the full exercise of the subscription rights attaching to the Warrants, the total funds, including the funds raised by the Warrant Placing, to be raised is approximately HK\$87.9 million, net of, among other fees, the commission of the Warrant Placing, the administration fee, the printing expenses and the fees for the application of listing of the New Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 June 2010, pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8 June 2010.

TERMINATION OF WARRANT PLACING AGREEMENT AND ENTERING INTO OF SUPPLEMENTAL WARRANT PLACING AGREEMENT

Reference is made to the announcement of the Company dated 11 May 2010 wherein it was announced, *inter alia*, that on 10 May 2010, the Company entered into the Warrant Placing Agreement with the Placing Agent whereby the Company appointed the Placing Agent as the sole and exclusive placing agent to procure the Placees to subscribe for up to 562,000,000 Warrants, on a best effort basis, at the Warrant Issue Price of HK\$0.01 per Warrant.

The Board announces that in view of the change in market conditions, the Placing Agent has requested and the Company has 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 the Supplemental Warrant Placing Agreement, the Company appointed the Placing Agent as the sole and exclusive agent to procure the Placees to subscribe for up to 562,000,000 Warrants, on a fully underwritten basis, at the Warrant Issue Price of HK\$0.01 per Warrant.

Notwithstanding the termination of the Warrant Placing Agreement, the terms of the Supplemental Warrant Placing Agreement are largely based on the Warrant Placing Agreement, save and except for the terms and conditions relating to (1) the fully underwritten basis; (2) the Warrant Exercise Price and (3) the Placing Period.

Placing Commission

The Placing Agent will receive a commission equal to 2.5% of the Warrant Issue Price multiplied by the aggregate number of Warrants placed together with a fixed administration fee of HK\$100,000.

Warrant Issue Price and Warrant Exercise Price

The Warrant Issue Price is HK\$0.01 per Warrant payable in cash. The Warrant Exercise Price is HK\$0.147 per New Share. It is expected that the net price of each New Shares to be issued upon exercise of the rights under the Warrants, after deducting necessary related expenses, will be approximately HK\$0.156 per New Share.

The Warrant Exercise Price is subject to adjustment (customarily for share consolidation, share subdivision, issue of Shares by capitalization of profits or reserves, capital distribution and other adjustment events relating to the issue of securities). Every adjustment to the Warrant Exercise Price shall be certified by the auditors of the Company.

The Warrant Exercise Price represents:

- (i) a discount of approximately 19.67% to the closing price of HK\$0.183 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 18.15% to the average closing price of approximately HK\$0.18 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 79.27% over the net asset value of approximately HK\$0.082 per Share (based on the audited consolidated net asset value of approximately HK\$231,089,000 as at 31 December 2009 divided by 2,812,500,000 Shares, being the number of Shares in issue as at the date of this announcement).

The aggregate of the Warrant Issue Price and the Warrant Exercise Price represents:

- (i) a discount of approximately 14.21% to the closing price of HK\$0.183 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 12.58% to the average of the closing prices of approximately HK\$0.18 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 91.46% over the net asset value of approximately HK\$0.082 per Share (based on the audited consolidated net asset value of approximately HK\$231,089,000 as at 31 December 2009 divided by 2,812,500,000 Shares, being the number of Shares in issue as at the date of this announcement).

The Board considers that both the Warrant Issue Price and the Warrant Exercise Price (and the aggregate of which) are fair and reasonable, having been determined after arm's length negotiations between the Company and the Placing Agent.

The Placees

The Placing Agent will procure the Placees to subscribe for an aggregate of 562,000,000 Warrants on a fully underwritten basis. The Placees shall be independent institutional or private investors and each of them and their respective ultimate beneficial owners will be an Independent Third Party prior to and immediately after Completion.

As at the date of this announcement, the number of the Placees has not been confirmed. Further announcement will be made regarding the Placees pursuant to Rule 13.28(7) of the Listing Rules if the number of Placees is less than six.

Transferability

The Warrants are transferable in integral multiples of 8,000 Warrants. In the event of a transfer of the Warrants to a connected person (as defined under the Listing Rules) of the Company, prior approval from the Stock Exchange, if applicable, and the Company will be required. The Company undertakes to comply with the relevant Listing Rules and to make necessary announcement(s), where appropriate, if and when the Placees make any transfer of the Warrants to other parties requiring disclosure.

Completion Date

Completion of the Warrant Placing will take place on the second Business Day after the fulfillment of the conditions referred to in the section headed "Conditions of the Warrant Placing" below.

Information of the Warrants

The Warrants will be issued to the Placees upon Completion in registered form and constituted by the instrument creating the Warrants. The Warrants will rank *pari passu* in all respects among themselves.

Each Warrant carries the right to subscribe for one New Share at the Warrant Exercise Price and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of 24 months commencing from the date of issue of the Warrants. The New Shares, when fully paid and allotted, will rank *pari passu* in all respects with the then existing issued Shares of the Company.

A total of 562,000,000 Warrants are to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 562,000,000 New Shares will be issued, representing (i) approximately 19.98% of the issued share capital of the Company of 2,812,500,000 Shares as at the date of this announcement; and (ii) approximately 16.65% of the issued share capital of the Company as enlarged by the allotment and issuance of the New Shares from the full exercise of the subscription rights attaching to the Warrants.

Conditions of the Warrant Placing

The obligations of the Placing Agent under the Supplemental Warrant Placing Agreement in respect of the Warrant Placing are conditional upon:

- (i) the Placing Agent successfully procuring the Placee(s) to subscribe the Warrants during the Placing Period (or such later time and date as the Placing Agent and the Company shall agree in writing); and
- (ii) the Stock Exchange granting the approval of the issuance of the Warrants or for the listing of and permission to deal in the Shares to be issued on the exercise of the subscription rights attaching to the Warrants.

If the conditions of the Supplemental Warrant Placing Agreement are not fulfilled prior to the expiry of the Placing Period or such later date as may be agreed between the Company and the Placing Agent, the Supplemental Warrant Placing Agreement shall lapse and become null and void, and the Company and the Placing Agent shall be released from all obligations thereunder, save for any antecedent breaches thereof.

Voting rights for the holders of the Warrants

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Rights of the holders of the Warrants on the liquidation of the Company

If the Company is wound up, all Subscription Rights which have not been exercised shall lapse and Warrant certificates shall cease to be valid for any purpose, save for in the event of a voluntary winding-up, the holders of the Warrants shall be entitled within six weeks after the passing of such a resolution approving the winding-up to exercise the subscription rights attaching to the Warrants in accordance with the terms and conditions of the Warrants.

Mandate to issue the New Shares

Under the General Mandate, the Company is authorized to issue 562,500,000 Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate. The New Shares will be allotted and issued under the General Mandate, therefore the Warrant Placing is not subject to Shareholders' approval.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE WARRANT PLACING AND THE SUPPLEMENTAL WARRANT PLACING AGREEMENT

The Company and its subsidiaries are principally engaged in investment holding, treasury investments and the provision of mortgage finance and other related services.

Given the recent fluctuations in the stock market and global economic conditions, the Directors considered it as prudent for the Group to conduct the Warrant Placing to maintain sufficient funds for any future diversification and/or expansion of business. Initial interest was received for the Warrant Placing pursuant to the Warrant Placing Agreement; however in view of the change in market conditions, the Placing Agent has requested, and the Company has 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. That said, in view of the continuing interest received and the immediate inflow of net proceeds of approximately HK\$5.3 million, coupled with the potential inflow of further net proceeds of up to a maximum of approximately HK\$82.6 million upon the exercise of the subscription rights attaching to the Warrants and in light of the basis of the Placing being altered from a best effort basis to a fully underwritten basis, the Directors are of the view that the Warrant Placing provides a good opportunity to strengthen the Company's financial position and in the event the Placees fully exercise their subscription right under the Supplemental Warrant Placing Agreement, funds received may cater for future needs for its operation and development.

In view of the above, the Board considers that the Warrant Placing as per the terms and conditions of the Supplemental Warrant Placing Agreement are justified and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS

The Board considers that the terms of the Warrant Placing including the Warrant Issue Price and the Warrant Exercise Price have been arrived at after arm's length negotiations between the Company and the Placing Agent and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is intended that the net proceeds of approximately HK\$5.3 million from the Warrant Placing will be applied as general working capital of the Group and any additional proceeds from the issue of the New Shares of approximately HK\$82.6 million upon the exercise of the subscription rights attaching to the Warrants in future will be applied as funds for future development of the Group when investment opportunities arise. As at the date of this announcement, the Company has not identified any specific investment plans. Since the exercise of the subscription rights attaching to the Warrants is at the discretion of the holders of the Warrants, the Company is not able to ascertain the exact additional proceeds which may be raised from the issue of the New Shares as at the date of this announcement. Assuming the full exercise of the subscription rights attaching to the Warrants, the net proceeds, including the funds raised by the Warrant Placing, to be raised is approximately HK\$87.9 million, net of, among other fees, the commission of the Warrant Placing, the administration fee, the printing expenses and the fees for the application of listing of the New Shares.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

During the past 12 months immediately preceding the date of this announcement, the Company has conducted the following equity fund raising activity:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
24 March 2010	Issue of new Shares by open offer	Approximately HK\$54,000,000	For general working capital and future development of the business	HK\$50 million of the net proceeds has been used as general working capital and the remaining balance retained in bank

Save as disclosed above, there were no equity fund raising activities conducted by the Company during the past 12 months immediately preceding the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 2,812,500,000 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming there are no other changes in the issued share capital of the Company) are set out below:

	As at the date of this announcement		Immediately after full exercise of the subscription rights attaching to the Warrants	
	Shares	% approximately	Shares	% approximately
Mr. Tang Yu Ming, Nelson (<i>Note</i>)	561,239,500	19.96	561,239,500	16.63
Placees	–	–	562,000,000	16.65
Other Public Shareholders	<u>2,251,260,500</u>	<u>80.04</u>	<u>2,251,260,500</u>	<u>66.72</u>
	<u><u>2,812,500,000</u></u>	<u><u>100.00</u></u>	<u><u>3,374,500,000</u></u>	<u><u>100.00</u></u>

Note: According to the Individual Substantial Shareholder Notice filed on 25 May 2010, these Shares include (i) 554,960,000 Shares held by Island New Finance Limited which is 100% controlled by Hyde Park Group Limited which is in turn 100% controlled by Mr. Tang Yu Ming, Nelson, and (ii) 6,279,500 Shares held by Hyde Park Group Limited which is 100% controlled by Mr. Tang Yu Ming, Nelson.

As at the date of this announcement, the Company has outstanding options to subscribe for convertible bonds which are convertible into 433,554,397 new Shares and has outstanding convertible bonds in the principal amount of HK\$1,644,560, which are convertible into 16,445,600 new Shares.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the New Shares to be issued on exercise of the subscription rights attaching to the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued.

Assuming full exercise of the subscription rights attaching to the Warrants, 562,000,000 New Shares, representing (i) 19.98% of the existing issued share capital of the Company of 2,812,500,000 Shares as at the date of this announcement; and (ii) approximately 16.65% of the issued share capital of the Company as enlarged by the allotment and issuance of the New Shares from the full exercise of the subscription rights attaching to the Warrants, assuming no Shares are further issued or repurchased. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 June 2010 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8 June 2010.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, shall have the meanings ascribed to them below:

“Board”	the board of Directors
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated under the laws of Hong Kong with limited liability
“Completion”	completion of the Warrant Placing in accordance with the terms and conditions of the Supplemental Warrant Placing Agreement
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 28 May 2010, among other matters, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party which is not connected persons (as defined under the Listing Rules) of the Company and is independent of the Company and its connected persons
“Last Trading Day”	4 June 2010, being the last trading day of the Shares on the Stock Exchange before entering into the Supplemental Warrant Placing Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	a maximum of 562,000,000 new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants
“Placee(s)”	any person or entity whom the Placing Agent have procured to subscribe for the Warrants
“Placing Agent”	Fortune (HK) Securities Limited, a licensed corporation to carry on Type 1 (Dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Period”	the period commencing upon the execution of the Supplemental Warrant Placing Agreement and terminating at 5:00 p.m. on the day falling on 90 days after the date of execution of the Supplemental Warrant Placing Agreement, unless terminated earlier in writing pursuant to the terms of the Supplemental Warrant Placing Agreement
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Warrant Placing Agreement”	the conditional supplemental placing agreement dated 7 June 2010 entered into between the Company and the Placing Agent in relation to the Warrant Placing

“Warrant(s)”	562,000,000 non-listed warrants to be issued by the Company at the Warrant Issue Price, each entitles the holder thereof to subscribe for one New Share at the Warrant Exercise Price (subject to adjustment) at any time during a period of 24 months commencing from the date of issue of the Warrants
“Warrant Exercise Price”	an initial exercise price of HK\$0.147 per New Share (subject to adjustment) at which holder of the Warrants may subscribe for the New Shares
“Warrant Issue Price”	HK\$0.01 per unit of Warrant to be issued pursuant to the Warrant Placing
“Warrant Placing”	a private placing of the Warrants at the Warrant Issue Price pursuant to the Supplemental Warrant Placing Agreement
“Warrant Placing Agreement”	the conditional placing agreement dated 10 May 2010 entered into between the Company and the Placing Agent in relation to the warrant placing as disclosed in the announcement of the Company dated 11 May 2010
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 7 June 2010

As at the date of this announcement, the Board comprises Mr. Lau Yu Fung, Wilson, Mr. Chan Chun Wai and Mr. Au Tin Fung being executive Directors; Mr. Chan Chi Yuen, Mr. Ng Cheuk Fan, Keith and Mr. So Yuen Chun being independent non-executive Directors.