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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)

INSIDE INFORMATION

LETTER OF INTENT IN RELATION TO A POSSIBLE ACQUISITION INVOLVING ISSUE OF CONSIDERATION SECURITIES AND POSSIBLE CHANGE OF COMPANY NAME

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Company is pleased to announce that on 3 July 2015 (after trading hours), the Company entered into the non-legally binding LOI with the Vendors in relation to the Possible Acquisition. Pursuant to the LOI, the Company intends to purchase and the Vendors intend to sell the entire equity interest in the Target Company.

Pursuant to the LOI, the Parties also agreed to discuss the feasibility as to the change of the Company's name to “中節能信通科技有限公司” under the Possible Acquisition.

As the Possible Acquisition may or may not proceed, Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the Shares.

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THE LOI

The principal terms of the LOI are set out below:

Date

3 July 2015 (after trading hours)

Parties

Vendors: the four existing or prospective shareholders of the Target Company, namely CECEP, CITCC, Beijing Wanhe and CIAM

Purchaser: the Company

(collectively, the “**Parties**”)

Consideration

It is intended that the Consideration of the Possible Acquisition payable by the Company shall not be less than RMB1,200,000,000. Subject to any adjustment which is linked to the Profit Guarantee (see the section headed “**Profit Guarantee**” below), the Consideration will be settled by the issue of the Consideration Securities to the Vendors, provided that none of them shall at any time after the issue of the Consideration Securities, be entitled to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at any general meeting of the Company. The amount of the Consideration is subject to further negotiation and determination among the Parties, and the terms of the formal agreement to be entered into among the Parties (if any).

Profit Guarantee

Beijing Wanhe will undertake to the Company that the Two-year Annual Actual Profit shall not be less than RMB150,000,000 (the “**Profit Guarantee**”). CECEP, CITCC and CIAM will undertake to provide support to the business development and profitability of the Target Company.

If the Two-year Annual Actual Profit falls below the Profit Guarantee, the Consideration will be adjusted accordingly as an earn-out mechanism of the Possible Acquisition. The extent and manner of the adjustment is subject to further negotiation and determination among the Parties, and the terms of the formal agreement to be entered into among the Parties (if any).

Due diligence

The Parties to the LOI agree that the Company shall be entitled to conduct a due diligence review on the Target Company (the “**DD Review**”) and the Parties to the LOI shall provide all assistance to the relevant DD Review.

Exclusivity

A twelve-month exclusive negotiation period (the “**Exclusive Negotiation Period**”) has been granted by the Vendors to the Company, during which the Vendors shall not negotiate with other investors or individuals in respect of the acquisition of the Target Company. In consideration of the grant of the Exclusive Negotiation Period and as part of the Consideration for the Possible Acquisition, the Company shall pay to the Target Company a sum of RMB20,000,000 (the “**Deposit**”) within 14 business days after the signing date of the LOI. If the Possible Acquisition fails to proceed due to the Vendors’ reason, the Vendors shall procure the Target Company to repay the Deposit to the Company within 6 months after the Company has confirmed that the Possible Acquisition will not proceed. If the Possible Acquisition fails to proceed due to the Company’s reason, the Vendors shall procure the Target Company to repay the Deposit to the Company within 12 months after the Company has confirmed that the Possible Acquisition will not proceed. The Deposit will become part of the Consideration upon completion of the Possible Acquisition.

Possible change of Company name

Pursuant to the LOI, the Parties also agreed to discuss the feasibility as to the change of the Company’s name to “中節能信通科技有限公司” under the Possible Acquisition.

Other terms

The Vendors have undertaken to refer energy saving project opportunities in the telecommunications industry in the PRC to the Target Company.

The LOI shall remain in effect for a term of one year from the date of the LOI. If no formal agreement in relation to the Possible Acquisition is entered into among the Company and the Vendors within one year, the LOI shall be terminated and cease to have effect.

Save for the provisions in relation to exclusivity, confidentiality, expenses and governing laws contained in the LOI, the LOI is not legally binding.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC. As at the date of this announcement, it is a wholly-owned subsidiary of CECEP and it is intended that CECEP will remain the controlling-shareholder of the Target Company upon capital injection by CITCC, Beijing Wanhe and CIAM.

The Target Company is engaged in energy conservation businesses, and it will focus on projects in telecommunications and transport industries in the PRC principally in the form of energy management contracts. Such projects focus on reducing energy consumption by air-conditioning and ventilation systems of facilities such as mobile base stations, data-centers and metro stations. It also plans to carry out the swap to optical fibre from copper wire for the PRC's internet broadband infrastructure.

The Target Company is well-positioned to benefit from its shareholder mix. CECEP is the only state-owned enterprise directly sponsored by the PRC government with a focus on environmental related investments and businesses, possessing significant connections and experience in investing in energy conservation projects. CITCC is a wholly-owned subsidiary of China Comservice, the leader in servicing telecommunications operators in the PRC. The H shares of China Comservice are listed on the Main Board of the Stock Exchange (Stock code: 552), with 中國電信集團公司 (China Telecommunications Corporation*) being its major shareholder and all three major telecommunication network operators in the PRC being its customers. CITCC possesses the expertise and technology in telecommunication facility works. Beijing Wanhe is the expert in the manufacture and installation of air-conditioning and ventilation systems in the PRC. Such shareholder mix brings together expertise in project investment, design and management and facilities construction to the Target Company.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Company is incorporated in Hong Kong with limited liability. The Group is principally engaged in investment holding, treasury investments, provision of loan financing and design and provision of energy saving solutions.

It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value and provide returns to the Shareholders. Accordingly, the Company has identified the Target Company as an ideal acquisition target to expand its energy saving solution business portfolio. The Company is also optimistic towards the development of the Target Company with its strong shareholder background. Moreover, the shareholders of the Target Company will become interested in the Shares of the Company upon the issue of the Consideration Securities which further expands the shareholder base of the Company.

The terms of the Possible Acquisition are subject to further negotiations among the Parties, including but not limited to the amount of the Consideration and the issue price of the Consideration Securities.

The Directors are of the view that the entering into the LOI and the proceeding with the Possible Acquisition are in the interests of the Company and the Shareholders as a whole.

GENERAL

The Company wishes to emphasize that the Possible Acquisition may or may not materialize. If the Possible Acquisition materializes, it may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules, and further announcement(s) would be made by the Company in accordance with all applicable requirements under the Listing Rules. The Company would comply with the relevant disclosure and/or shareholders' approval requirements in respect of the Possible Acquisition and the issue of the Consideration Securities under the Listing Rules where appropriate.

Shareholders and potential investors should note that the LOI is not legally binding and the Possible Acquisition is subject to, among other things, further negotiations among the Parties and may deviate from the provisions set out in the LOI. **As the Possible Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“Beijing Wanhe”	北京萬禾創新高新技術有限公司 (Beijing Wanhe Innovative New Technology Company Limited*), a company established in the PRC
“Board”	the board of Directors
“CECEP”	中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group*), a state owned enterprise in the PRC
“CITCC”	中國通信建設集團有限公司 (China International Telecommunication Construction Corporation*), a company established in the PRC, and is wholly-owned by China Comservice
“China Comservice”	China Communications Services Corporation Limited (中國通信服務股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (Stock code: 552)
“CIAM”	CITIC International Assets Management Limited, a company incorporated in Hong Kong with limited liability
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Stock Exchange

“Consideration”	the consideration payable by the Company to the Vendors in respect of the Possible Acquisition
“Consideration Securities”	the new Shares, convertible bonds and/or promissory notes to be issued by the Company to the Vendors in settlement of the Consideration
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	the letter of intent entered into among the Company and the Vendors on 3 July 2015 in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition of the entire equity interest in the Target Company pursuant to the LOI
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Profit Guarantee”	has the meaning ascribed to it in this announcement
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission

“Target Company”	中節能(北京)空調節能科技有限公司 (CECEP (Beijing) Air-conditioning Energy Conservation Technology Company Limited*), which is proposed to be renamed to 中節能信通科技有限公司 (CECEP Telecommunications Technology Company Limited*), a company established in the PRC
“Two-year Annual Actual Profit”	the audited consolidated profit before tax of the Target Company for each of the two years after the completion of the Possible Acquisition
“Vendors”	the four existing or prospective shareholders of the Target Company, namely CECEP, CITCC, Beijing Wanhe and CIAM

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Diana Liu He
Executive Director

Hong Kong, 3 July 2015

As at the date hereof, the board of directors of the Company comprises Mr. So Yuen Chun, Ms. Diana Liu He, Dr. Li Ai Guo and Mr. Cai Wen Wei being executive Directors; Mr. Lam Kwok Hing, Wilfred and Mr. Huang Lizhi being non-executive Directors; and Mr. Yeung Wai Hung, Peter, Ms. Yuen Wai Man and Mrs. Chu Ho Miu Hing being independent non-executive Directors.

* for identification purpose only