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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)

**CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT
REGARDING
(I) ISSUE OF NEW SHARES UNDER GENERAL MANDATE; AND
(II) CONNECTED TRANSACTION –
ISSUE OF NEW SHARES UNDER GENERAL MANDATE
FOR SCHEME OF ARRANGEMENT**

CLARIFICATION

Reference is made to the Announcement in relation to the voluntary announcement regarding the details of the Scheme.

The Company wishes to clarify and supplement that the subject of the Announcement should be “(I) Issue of new Shares under General Mandate; and (II) Connected Transaction – Issue of new Shares under General Mandate for scheme of arrangement”. In addition, the Company would like to provide further information in relation to this matter.

(I) ISSUE OF NEW SHARES UNDER GENERAL MANDATE

Issue of Interest Shares under General Mandate to Other Creditors

If the Scheme is implemented on the Effective Date (31 July 2019), the Company will be indebted to the Other Creditors for HK\$907,655,763 in which (i) HK\$854,225,700 for the outstanding principal amount of the Convertible Bonds; and (ii) HK\$53,430,063 for the Interest. For the settlement of the Interest accrued on the Convertible Bonds as at the Effective Date (31 July 2019), the Company shall allot and issue 66,787,579 Interest Shares to Other Creditors under the General Mandate at the price of HK\$0.8 per Share.

If the Effective date falls on 31 July 2019, 66,787,579 Interest Shares to be allotted and issued under the General Mandate to the Other Creditors represent (i) approximately 2.90% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 1.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before the issue of the Scheme Shares pursuant to the Scheme.

If the Effective Date falls on 31 December 2019 or earlier but after 31 July 2019 (details as referred in the section headed “BACKGROUND OF THE SCHEME” in this announcement), the maximum number of 80,215,304 Interest Shares to be allotted and issued under the General Mandate to the Other Creditors represent (i) approximately 3.48% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 2.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before the issue of the Scheme Shares pursuant to the Scheme.

(II) CONNECTED TRANSACTION – ISSUE OF NEW SHARES UNDER GENERAL MANDATE FOR SCHEME OF ARRANGEMENT

Issue of Interest Shares and Promissory Notes Shares to a connected person under General Mandate

The Interest Shares and the Promissory Notes Shares

If the Scheme is implemented on the Effective Date (31 July 2019), 166,359,547 new Shares which comprise 159,250,000 Promissory Notes Shares and 7,109,547 Interest Shares will be allotted and issued to State Energy under the General Mandate, which represent (i) approximately 7.21% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 4.47% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before completion of the issue of Scheme Shares to Independent Shareholders and the Connected Transaction as at the Effective Date.

If the Effective Date falls on 31 December 2019 or earlier but after 31 July 2019 (details as referred in the section headed “BACKGROUND OF THE SCHEME” in this announcement), the maximum number of 167,788,929 new Shares which comprise 159,250,000 Promissory Notes Shares and 8,538,929 Interest Shares will be allotted and issued to State Energy under the General Mandate, which represent (i) approximately 7.27% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 4.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before completion of the issue of Scheme Shares to Independent Shareholders and the Connected Transaction as at 31 December 2019.

LISTING RULES IMPLICATIONS

As at the date of this announcement, State Energy is interested in 454,268,172 Shares, representing approximately 19.70% of the existing issued share capital of the Company. State Energy is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the issue of the Promissory Notes Shares and the Interest Shares to the substantial shareholder of the Company constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders at the EGM for the Connected Transaction. Save for the Creditors, no other Shareholder has a material interest in the Connected Transaction, and the Creditors are required to abstain from voting on the resolution to approve the Connected Transaction.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Connected Transaction. The Company will appoint an Independent Financial Adviser as soon as practicable to advise the Independent Board Committee and the Independent Shareholders in this regard.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save for State Energy, the Other Creditors and their ultimate beneficial owner(s) are independent of and not connected with the Company (and its subsidiaries), its connected person(s) and their respective associate(s).

A circular containing, amongst others, (i) further information on the Connected Transaction under the General Mandate; (ii) the recommendation letter from the Independent Board Committee to the Independent Shareholders in respect of the Connected Transaction; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the Connected Transaction; and (iv) the notice convening the EGM and a form of proxy is expected to be despatched to the Shareholders on or before 8 July 2019.

The release of this announcement does not necessarily mean that the Scheme will be successfully implemented and completed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.

CLARIFICATION

Reference is made to the announcement of the Company dated 4 June 2019 (the “**Announcement**”) in relation to the voluntary announcement regarding the details of the Scheme.

The Company wishes to clarify and supplement that the subject of the Announcement should be “(I) Issue of new Shares under General Mandate; and (II) Connected Transaction – Issue of new Shares under General Mandate for scheme of arrangement”. In addition, the Company would like to provide further information in relation to this matter.

BACKGROUND OF THE SCHEME

References are made to the Company’s announcement dated 10 January 2019, 15 May 2019 and 4 June 2019 (collectively, the “**Announcements**”), in relation to, among other things, the Scheme.

As disclosed in the Announcements, the outstanding indebtedness of the Company include, but is not limited to, (i) Convertible Bonds in the principal amount of approximately HK\$945.2 million as at 31 December 2018; (ii) the Interest of the Convertible Bonds in the amount of approximately HK\$59.1 million as at the Effective Date; and (iii) Promissory Notes in the principal amount of approximately HK\$127.4 million as at 31 December 2018.

The Promissory Notes matured on 31 December 2018. Failure to repay the Promissory Notes on their maturity has led to cross default of the Convertible Bonds, notwithstanding the latter’s maturity date on 31 December 2023. As such, the Company proposed to enter into and implement the Scheme to settle the aforesaid liabilities owed to the Creditors. The Scheme Meeting has been scheduled to be held on 28 June 2019.

If the Scheme is implemented on the Effective Date (31 July 2019), the Company shall allot and issue Shares for the entire Scheme up to (i) 1,181,447,662 Conversion Shares at the price of HK\$0.8 per Share to settle the outstanding principal amount of the Convertible Bonds in accordance with the original terms and conditions of the Convertible Bonds under the Specific Mandate; (ii) 159,250,000 Promissory Notes Shares for settlement and discharge of all outstanding principal amount of the Promissory Notes on the basis of HK\$0.8 per Share under the General Mandate; and (iii) 73,897,126 Interest Shares to settle outstanding Interest under the General Mandate as at the Effective Date.

However, taking into account that the Scheme will become effective pending, inter alia, (i) the approval of Creditors on the Scheme Meeting; (ii) Independent Shareholders' approval for the Connected Transaction; and (iii) the actual date of the Court hearing and the Effective Date of the Scheme will depend on the availability of the Court and the actual length and scope of the relevant hearings, if the aforementioned cannot be fulfilled on or before 31 July 2019, the Interest will be further accrued. The Board after seeking legal advice considered it would be prudent to prepare for a delayed Effective Date, preliminary estimated to be 31 December 2019.

As such, the Board proposed to seek for the listing approval of up to 88,754,233 Interest Shares to be allotted and issued to the Creditors which represents the Interest accrued up to HK\$71,003,386 as at 31 December 2019. In addition, the Board also proposed to seek for Independent Shareholders' approval on the issue of up to 8,538,929 Interest Shares as at 31 December 2019 to be issued to State Energy in case the Effective Date is postponed.

The aggregate of the maximum number of the Interest Shares (as at 31 December 2019) and Promissory Notes Shares to be issued to the Creditors up to 248,004,233 Shares, represents 10.75 % to the existing issued share capital of the Company and 6.64% as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before the issue of the Conversion Shares, the Interest Shares and the Promissory Notes Shares pursuant to the Scheme.

(I) ISSUE OF NEW SHARES UNDER GENERAL MANDATE

Issue of Interest Shares under General Mandate to Other Creditors

If the Scheme is implemented on the Effective Date (31 July 2019), the Company will be indebted to the Other Creditors for HK\$907,655,763 in which (i) HK\$854,225,700 for the outstanding principal amount of the Convertible Bonds; and (ii) HK\$53,430,063 for the Interest. For the settlement of the Interest accrued on the Convertible Bonds as at the Effective Date (31 July 2019), the Company shall allot and issue 66,787,579 Interest Shares to Other Creditors under the General Mandate at the price of HK\$0.8 per Share.

However, taking into account that the Scheme will become effective pending, inter alia, (i) the approval of Creditors on the Scheme Meeting; (ii) Independent Shareholders' approval for the Connected Transaction; and (iii) the actual date of the Court hearing and the Effective Date of the Scheme will depend on the availability of the Court and the actual length and scope of the relevant hearings, if the aforementioned cannot be fulfilled on or before 31 July 2019, the Interest will be further accrued. The Board after seeking legal advice considered it would be prudent to prepare for a delayed Effective Date, preliminary estimated to be 31 December 2019.

As such, the Board proposed to seek for the listing approval of up to 80,215,304 Interest Shares to be issued to the Other Creditors which represents the Interest accrued up to HK\$64,172,243 as at 31 December 2019. If the Effective Date is further postponed to after 31 December 2019, the Board shall update the Shareholders, and seek for listing approval for the further Interest Shares that maybe issued.

If the Effective date falls on 31 July 2019, 66,787,579 Interest Shares to be allotted and issued under the General Mandate to the Other Creditors represent (i) approximately 2.90% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 1.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before the issue of the Scheme Shares pursuant to the Scheme.

If the Effective Date falls on 31 December 2019 or earlier but after 31 July 2019 (details as referred in the section headed "BACKGROUND OF THE SCHEME" in this announcement), the maximum number of 80,215,304 Interest Shares to be allotted and issued under the General Mandate to the Other Creditors represent (i) approximately 3.48% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 2.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before the issue of the Scheme Shares pursuant to the Scheme.

(II) CONNECTED TRANSACTION – ISSUE OF NEW SHARES UNDER GENERAL MANDATE FOR SCHEME OF ARRANGEMENT

Issue of Interest Shares and Promissory Notes Shares to a connected person under General Mandate

The Interest Shares

If the Scheme is implemented on the Effective Date (31 July 2019), the Company will be indebted to State Energy for HK\$224,020,066 in which (i) HK\$90,932,430 for the outstanding principal amount of the Convertible Bonds; (ii) HK\$5,687,636 for the Interest of the Convertible Bonds; and (iii) HK\$127,400,000 for the outstanding principal amount of the Promissory Notes.

For the settlement of the Interest accrued on the Convertible Bonds as at the Effective Date (31 July 2019), the Company shall allot and issue 7,109,547 Interest Shares to State Energy under the General Mandate at the price of HK\$0.8 per Share. And the Promissory Notes is non-interest bearing.

However, taking into account that the Scheme will become effective pending, inter alia, (i) the approval of Creditors on the Scheme Meeting; (ii) Independent Shareholders' approval for the Connected Transaction; and (iii) the actual date of the Court hearing and the Effective Date of the Scheme will depend on the availability of the Court and the actual length and scope of the relevant hearings, if the aforementioned cannot be fulfilled on or before 31 July 2019, the Interest will be further accrued. The Board after seeking legal advice considered it would be prudent to prepare for a delayed Effective Date, preliminary estimated to be 31 December 2019.

As such, the Board proposed to seek for the listing approval of up to 8,538,929 Interest Shares of the Convertible Bonds to be issued to State Energy which represents the Interest accrued on the Convertible Bonds of up to HK\$6,831,143 as at 31 December 2019.

In addition, the Board also proposed to seek for Independent Shareholders' approval on the issue of up to 8,538,929 Interest Shares of the Convertible Bonds as at 31 December 2019 to be issued to State Energy in case the Effective Date is postponed. If the Effective Date is further postponed to after 31 December 2019, the Board shall update the Shareholders and seek for Independent Shareholders' approval for the further Interest Shares that maybe issued.

If the Effective date falls on 31 July 2019, 7,109,547 Interest Shares to be allotted and issued to State Energy under the General Mandate represent (i) approximately 0.31% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 0.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before the issue of the Scheme Shares pursuant to the Scheme.

If the Effective Date falls on 31 December 2019 or earlier but after 31 July 2019 (details as referred in the section headed “BACKGROUND OF THE SCHEME” in this announcement), the maximum number of 8,538,929 Interest Shares to be allotted and issued under the General Mandate to State Energy represent (i) approximately 0.37% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 0.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before the issue of the Scheme Shares pursuant to the Scheme.

The Promissory Notes Shares

State Energy is also the holder of the non-interest bearing Promissory Notes. Pursuant to the Scheme and upon its implementation on the Effective Date, the Company shall allot and issue up to 159,250,000 Promissory Notes Shares for settlement and discharge of all outstanding principal amount of the Promissory Notes on the basis of HK\$0.8 per Share under the General Mandate.

The 159,250,000 Promissory Notes Shares to be allotted and issued to State Energy under the General Mandate represent (i) approximately 6.90% of the existing issued share capital of the Company as at the Despatch Date; (ii) approximately 4.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before completion of the issue of Scheme Shares to Independent Shareholders and the Connected Transaction as at the Effective Date (31 July 2019); (iii) approximately 4.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before completion of the issue of Scheme Shares to Independent Shareholders and the Connected Transaction as at 31 December 2019.

The Interest Shares and the Promissory Notes Shares

If the Scheme is implemented on the Effective Date (31 July 2019), 166,359,547 new Shares which comprise 159,250,000 Promissory Notes Shares and 7,109,547 Interest Shares will be allotted and issued to State Energy under the General Mandate, which represent (i) approximately 7.21% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 4.47% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before completion of the issue of Scheme Shares to Independent Shareholders and the Connected Transaction as at the Effective Date.

If the Effective Date falls on 31 December 2019 or earlier but after 31 July 2019 (details as referred in the section headed “BACKGROUND OF THE SCHEME” in this announcement), the maximum number of 167,788,929 new Shares which comprise 159,250,000 Promissory Notes Shares and 8,538,929 Interest Shares will be allotted and issued to State Energy under the General Mandate, which represent (i) approximately 7.27% of the existing issued share capital of the Company as at the Despatch Date; and (ii) approximately 4.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Scheme Shares, assuming no further new Shares will be issued or repurchased by the Company before completion of the issue of Scheme Shares to Independent Shareholders and the Connected Transaction as at 31 December 2019.

Issue Price of the Interest Shares and the Promissory Note Shares

The Issue Price of HK\$0.8 per Share represents:

- (a) a premium of approximately 1,130.8% to the closing price of HK\$0.065 per Share as quoted on the Stock Exchange as at the Despatch Date; and
- (b) a premium of approximately 1,127.0% to the average closing price of HK\$0.0652 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the Despatch Date.

The Issue Price was determined with reference to the Conversion Price. As the Convertible Bonds, the Promissory Notes and the Interests are originating from the same transaction as announced by the Company dated 6 December 2013 and it represents a premium to the current market price of the Shares, the Directors are of the view that it is fair and reasonable and to the best interest of the Company and the Shareholders as a whole.

RANKING OF THE PROMISSORY NOTES SHARES AND THE INTEREST SHARES

The Promissory Notes Shares and the Interest Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of the allotment and issue of the Promissory Notes Shares and the Interest Shares.

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 Promissory Notes Shares and the new Shares.

INFORMATION OF STATE ENERGY

State Energy is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, State Energy is interested in 454,268,172 Shares, representing approximately 19.70% of the issued Shares. State Energy is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE INTEREST SHARES AND PROMISSORY NOTES SHARES

The Group is principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions.

As disclosed in the annual report of the Group for the financial year ended 31 December 2018, the Group had net current liabilities of approximately HK\$1,076,923,000 and net liabilities of approximately HK\$880,991,000. The Board is in the opinion upon the successful implementation of the proposed Scheme, it would have the effect of discharging the substantial amount of the existing debt, and would substantially improve the financial position of the Group.

In view of (i) the huge premium of the Issue Price to the current market price of the Shares; (ii) no cash outflow of the Group; and (iii) the positive effect to the financial position of the Group, the Board (including the independent non-executive Directors) are of the view that it is fair and reasonable and to the best interest of the Company and the Shareholders as a whole.

Under the Scheme, the aggregate amount by issuance of the Scheme Shares as at the Effective Date (31 July 2019) is approximately HK\$1,131.7 million which will be used to settle the liabilities of Convertible Bonds plus Interest and Promissory Notes amounted to approximately HK\$1,131.7 million pursuant to the Scheme.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months immediately prior to the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Scenario 1

As at the Effective Date, the overall effect on the shareholdings in the Company of various parties as a result of the Scheme is set out in the following table (i) as at the Despatch Date; and (ii) immediately after implementation of the Scheme for illustration purpose only:

Scenario 1

	(i) As at the Despatch Date		(ii) Immediately after implementation of the Scheme					Approx.
	No. of Shares	Approx.	Existing Shares	Conversion Shares	Promissory Notes Shares	Interest Shares as at the Effective Date	Total Shares	
The substantial Shareholders								
Hong Kong Mengzai Material Co., Limited	384,416,000	16.67%	384,416,000	–	–	–	384,416,000	10.33%
State Energy (Note 1)	454,268,172	19.70%	454,268,172	113,665,537	159,250,000	7,109,547	734,293,256	19.73%
Other Creditors								
CITIC International Assets Management Limited and its associates (Note 2)	102,552,205	4.45%	102,552,205	902,501,162	–	56,449,594	1,061,502,961	28.53%
Cheng Lut Tim (Note 3)	–	–	–	5,000,000	–	312,740	5,312,740	0.14%
Lo Shao Chi Julian (Note 3)	–	–	–	2,500,000	–	156,370	2,656,370	0.07%
Zhao Xiao Hua (Note 3)	–	–	–	1,250,000	–	78,185	1,328,185	0.04%
Spurrey Limited (Note 3)	–	–	–	91,538,575	–	5,725,550	97,264,125	2.61%
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited (Note 3 and Note 4)	–	–	–	64,992,388	–	4,065,140	69,057,528	1.86%
Public Shareholders	1,365,266,439	59.18%	1,365,266,439	–	–	–	1,365,266,439	36.69%
Total	2,306,502,816	100.00%	2,306,502,816	1,181,447,662	159,250,000	73,897,126	3,721,097,604	100.00%

Scenario 2

As at 31 December 2019, the overall effect on the shareholdings in the Company of various parties as a result of the Scheme is set out in the following table (i) as at the Despatch Date; and (ii) immediately after implementation of the Scheme for illustration purpose only:

Scenario 2

	(i) As at the Despatch Date		(ii) Immediately after implementation of the Scheme					Approx.
	No. of Shares	Approx.	No. of Shares		Interest Shares		Total Shares	
	Existing Shares		Conversion Shares	Promissory Notes Shares	as at 31 December 2019	Approx.		
The substantial Shareholders								
Hong Kong Mengzai Material Co., Limited	384,416,000	16.67%	384,416,000	–	–	–	384,416,000	10.29%
State Energy (Note 1)	454,268,172	19.70%	454,268,172	113,665,537	159,250,000	8,538,929	735,722,638	19.69%
Other Creditors								
CITIC International Assets Management Limited and its associates (Note 2)	102,552,205	4.45%	102,552,205	902,501,162	–	67,798,855	1,072,852,222	28.72%
Cheng Lut Tim (Note 3)	–	–	–	5,000,000	–	375,616	5,375,616	0.14%
Lo Shao Chi Julian (Note 3)	–	–	–	2,500,000	–	187,808	2,687,808	0.07%
Zhao Xiao Hua (Note 3)	–	–	–	1,250,000	–	93,904	1,343,904	0.04%
Spurrey Limited (Note 3)	–	–	–	91,538,575	–	6,876,679	98,415,254	2.63%
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited (Note 3 and Note 4)	–	–	–	64,992,388	–	4,882,442	69,874,830	1.87%
Public Shareholders	1,365,266,439	59.18%	1,365,266,439	–	–	–	1,365,266,439	36.55%
Total	2,306,502,816	100.00%	2,306,502,816	1,181,447,662	159,250,000	88,754,233	3,735,954,711	100.00%

Notes:

- As State Energy is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. These Shares comprise (i) 454,268,172 Shares which is beneficially owned by State Energy and (ii) 113,665,537 Conversion Shares to be allotted and issued to State Energy under the Scheme. Mr. Liu Quanhui (“**Mr. Liu**”) and Ms. Niu Fang (“**Ms. Niu**”) are interested in State Energy by 53.3% and 46.7% respectively¹. By virtue of the SFO, Mr. Liu and Ms. Niu are deemed to be interested in the Shares held by State Energy. To the best of the Directors’ knowledge, information and belief, as at the date of this announcement, Mr. Liu and Ms. Niu are the ultimate beneficial owners of these Shares.

¹ References are made to the disclosure of interests of the Company on 2 March 2017. (<http://sdinotice.hkex.com.hk/filing/di/NSForm1.aspx?fn=85459&sa2=as&sid=21150104&corp=Hong+Kong+Building+and+Loan+Agency+Ltd.%2c+The&sd=11%2f02%2f2004&ed=15%2f06%2f2017&sa1=c1&scsd=03%2f10%2f2003&sced=03%2f10%2f2017&sc=145&src=MAIN&lang=EN&> and <http://sdinotice.hkex.com.hk/filing/di/NSForm1.aspx?fn=85457&sa2=as&sid=21150104&corp=Hong+Kong+Building+and+Loan+Agency+Ltd.%2c+The&sd=11%2f02%2f2004&ed=15%2f06%2f2017&sa1=c1&scsd=03%2f10%2f2003&sced=03%2f10%2f2017&sc=145&src=MAIN&lang=EN&>)

2. Save for the 102,552,205 Shares held by CITIC International Assets Management Limited and its associates (the “**CIAM**”), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, CIAM is not a connected person to the Company as at the date of this announcement. These Shares comprise (i) 102,552,205 Shares which is beneficially owned by CIAM and (ii) 902,501,162 Conversion Shares to be allotted and issued to CIAM under the Scheme. CIAM is owned as to and 46% by CITIC International Financial Holdings Limited (“**CIFH**”), 19% by ITOCHU Corporation, 20% by Ithmaar Holding B.S.C. and 15% by CSI AMC Company Limited¹. CIFH is a wholly-owned subsidiary of China CITIC Bank Corporation Limited (“**China CITIC Bank**”)². China CITIC Bank is over 60% indirectly owned by CITIC Limited (“**CITIC**”)², 24.78% directly owned by Hong Kong Securities Clearing Company Nominees Limited and approximately 10% directly owned by other public shareholders³. CITIC is indirectly owned as to 58.13% by CITIC Group Corporation (“**CITIC Group**”), approximately 20% directly owned by Chia Tai Bright Investment Company Limited and 21.87% directly owned by other public shareholders⁴. By virtue of the SFO, each of CIFH, China CITIC Bank, CITIC and CITIC Group are deemed to be interested in the Shares held by CIAM. To the best of the Directors’ knowledge, information and belief, as at the date of this announcement, CITIC Group is the ultimate beneficial owner of these Shares.
3. Each of the Other Creditors who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons as at the date of this announcement.
4. To the best of the Directors’ knowledge, information and belief, as at the date of this announcement, China Energy Conservation and Environmental Protection Group (“**CECEP**”) is the ultimate beneficial owner of these Convertible Shares. CECEP is a China’s centrally-administered state-owned enterprise, with the approval of the State-owned Assets Supervision and Administration Commission of the State Council.⁵

¹ Reference is made to the website of CIAM (<http://www.citiciam.com/index.php/sinpage/index/catid/159.html>)

² Reference is made to the website of CIFH (<http://www.citicifh.com/eng/structure/index.htm>)

³ Reference is made to the 2018 annual report of China CITIC Bank (<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN20190429483.pdf>)

⁴ Reference is made to the 2018 annual report of CITIC (<https://www.citic.com/uploadfile/2019/0418/20190418044301701.pdf>)

⁵ Reference is made to the website of CECEP (<http://www.en.cecep.cn/g12829.aspx>)

LISTING RULES IMPLICATIONS

As at the date of this announcement, State Energy is interested in 454,268,172 Shares, representing approximately 19.70% of the existing issued share capital of the Company. State Energy is a substantial shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the issue of the Promissory Notes Shares and Interest Shares to the substantial shareholder of the Company constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders at the EGM for the Connected Transaction. Save for the Creditors, no other Shareholder has a material interest in the Connected Transaction, and the Creditors are required to abstain from voting on the resolution to approve the Connected Transaction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, none of the Directors has an interest in the State Energy, and no Director is required to abstain from voting on the board resolution to approve the Connected Transaction.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Connected Transaction. The Company will appoint an Independent Financial Adviser as soon as practicable to advise the Independent Board Committee and the Independent Shareholders in this regard.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save for State Energy, the Other Creditors and their ultimate beneficial owner(s) are independent of and not connected with the Company (and its subsidiaries), its connected person(s) and their respective associate(s).

A circular containing, amongst others, (i) further information on the Connected Transaction under the General Mandate; (ii) the recommendation letter from the Independent Board Committee to the Independent Shareholders in respect of the Connected Transaction; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the Connected Transaction; and (iv) the notice convening the EGM and a form of proxy is expected to be despatched to the Shareholders on or before 8 July 2019.

EGM

The EGM will be proposed for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution to approve, among other things, the Connected Transaction.

GENERAL MANDATE

The maximum number of 167,788,929 new Shares which comprise 159,250,000 Promissory Notes Shares and 8,538,929 Interest Shares will be issued under the General Mandate granted by the Shareholders to the Directors pursuant to the resolution passed at the annual general meeting of the Company held on 3 June 2019. Pursuant to the General Mandate, the maximum number of Shares that can be issued under the General Mandate is 461,300,563 Shares. As at the date hereof, the Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the issue and allotment of the Promissory Notes Shares and the Interest Shares.

The release of this announcement does not necessarily mean that the Scheme will be successfully implemented and completed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	The Hong Kong Building and Loan Agency Limited (Stock Code: 145), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Connected Transaction”	the connected transaction in relation to issue of the Promissory Notes Shares and the Interest Shares by the Company to the State Energy under the General Mandate
“Convertible Bonds”	the convertible bonds issued by the Company under the Specific Mandate with original terms and conditions in the outstanding principal amount of HK\$945.2 million at 3% coupon with the conversion rights exercisable at the Conversion Price and maturing on 31 December 2023
“Conversion Price”	the initial conversion price of HK\$0.8 per Conversion Share upon the exercise of the conversion rights attaching to the Convertible Bonds
“Conversion Share(s)”	up to 1,181,447,662 Shares to be allotted and issued by the Company at the price of HK\$0.8 per Share upon redemption of the Convertible Bonds or any principal amount thereof under and pursuant to the Specific Mandate
“Court”	the High Court of Hong Kong and any court capable of hearing appeals therefrom

“Creditors”	pursuant to the Scheme, the creditors of the Company whose claims arose out of or had their origin in any matter occurring before the Effective Date and whether known or unknown, whether present, future or contingent, whether sounding in equity, contract, tort or under statute and whether liquidated or yet to be ascertained or whose claims against the Company which would be provable in a winding up of the Company under either the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Companies Ordinance if an order for the winding up of the Company were made on the Effective Date, including holders of the Convertible Bonds and the Promissory Notes, but excluding the contingency liability under a guarantee dated 13 November 2017 executed by the Company in favour of CIAM in respect of the debt in the sum of HK\$23,965,000 (principal and interest inclusive) due and owing by an indirect subsidiary of the Company to CIAM, which has matured and is due for repayment, which is carved out of, and will not be compromised under, the Scheme
“Despatch Date”	3 June 2019, being the date of despatch of the Scheme document (comprising an explanatory statement and the scheme of arrangement between the Company and the Creditors, notice for scheme meeting, form of notice of claims and form of proxy) to the Creditors
“Director(s)”	the director(s) of the Company
“Effective Date”	the registration date of the order sanctioning the Scheme granted by the Court with the Companies Registry in Hong Kong tentative to be 31 July 2019 under the Scheme
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Connected Transaction and allotment and issue of the Promissory Notes Shares and Interest Shares

“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 3 June 2019 to allot and issue up to 461,300,563 Shares, representing 20% of the total number of Shares in issue as at the date of passing such resolution
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Connected Transaction
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Connected Transaction
“Interest”	interest accrued on the outstanding principal amount of the Convertible Bonds
“Independent Shareholder(s)”	Shareholders other than the Creditors
“Interest Share(s)”	Shares to be allotted and issued by the Company under the General Mandate at the Issue Price to settle the Interest
“Issue Price”	the issue price of the Promissory Notes Shares and the Interest Shares, being HK\$0.8 per Share
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Other Creditor(s)”	the Creditors under the Scheme other than State Energy

“Promissory Notes”	non-interest bearing promissory notes issued by the Company in the outstanding principal amount of HK\$127.4 million that have fallen due on 31 December 2018
“Promissory Notes Share(s)”	up to 159,250,000 Shares for settlement and discharge of all outstanding principal amount of the Promissory Notes at the Issue Price under the General Mandate
“Scheme”	the proposed scheme of arrangement for the Company to be entered into between the Company and the Creditors pursuant to Sections 670 and 673 of the Companies Ordinance with, or subject to, the approval and any modification, addition or conditions approved or imposed by the Court
“Scheme Meeting”	the meeting(s) of the Creditors to be convened and held at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme
“Scheme Shares”	the Conversion Shares, the Promissory Notes Shares and the Interest Shares
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate granted by the Shareholders at the extraordinary general meeting of the Company held on 30 April 2014 to issue and allot new Shares at the Conversion Price upon exercise of conversion rights attached to the Convertible Bonds
“State Energy”	State Energy HK Limited, a substantial shareholder of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“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
Chong Kok Leong
Executive Director

Hong Kong, 14 June 2019

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