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If you have sold or transferred all your shares in The Hong Kong Building and Loan Agency Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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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)

PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent



FT Securities Limited

A notice convening the extraordinary general meeting of The Hong Kong Building and Loan Agency Limited to be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 5 November 2013 at 11:00 a.m. is set out on pages 28 to 29 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

21 October 2013

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Bondholder(s)”	the registered holder(s) of the Convertible Bonds
“Bond Instrument”	the instrument constituting the Convertible Bonds, executed by the Company by way of a deed
“Business Day(s)”	a day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“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 main board of the Stock Exchange
“Convertible Bond(s)”	the convertible bonds in the principal amount of up to HK\$60,750,000 to be issued by the Company, convertible up to a maximum of 450,000,000 Conversion Shares at the Conversion Price
“Conversion Period”	the period commencing from the initial date of issue of the Convertible Bonds and ending on the date which falls on the fifth Business Day before Maturity Date, both dates inclusive, provided that if the Company fails to redeem the Convertible Bonds on the redemption date in accordance with the terms of the Bond Instrument the period shall continue until redemption in full occurs
“Conversion Price”	HK\$0.135 per Conversion Share
“Conversion Share(s)”	up to a maximum of 450,000,000 new Shares to be issued and allotted upon full conversion of the Convertible Bonds
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, passing the ordinary resolution(s) that will be proposed to approve the Placing and the transactions contemplated thereunder, including the grant of the Specific Mandate
“First Placing Agreement”	the placing agreement in relation to the placing of Convertible Bonds dated 26 February 2013 and entered into between the Company and the Placing Agent in respect of the Placing
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	26 February 2013, being the last trading day immediately prior to the release of the announcement of the Company dated 28 February 2013
“Latest Practicable Date”	16 October 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	31 December 2016
“Options”	100 options placed and announced by the Company on 8 October 2012, which upon exercise, the holders of the option(s) are entitled to subscribe for, in aggregate, the Possible Convertible Bonds in the principal amount of up to HK\$15,660,000 which is convertible into a maximum of 87,000,000 new Shares at the conversion price of HK\$0.18

DEFINITIONS

“Overall Completion Date”	any Business Day in the period commencing on the Business Day on which the Placing Period commences and ending on the seventh Business Day of the expiration of the Placing Period. In the event that the Company or the Placing Agent shall, without any reasonable ground, fail to deliver or procure to deliver the documents pursuant to the Placing Agreements to the Placees or the Placing Agent fails to settle the consideration of the Tranche concerned to the Company on the date of settlement, without prejudice to any other right or remedy available to the other party, such other party may (with the consent of the Placee(s) concerned) defer completion of the Tranche concerned to a day not more than ten Business Days after the date fixed for completion of the Tranche concerned and, if required, defer the overall completion date by not more than ten Business Days
“Placee(s)”	any person or entity with whom the Placing Agent and/or any of its agent(s) have procured to subscribe the Convertible Bond under the Placing or any Tranche
“Placing”	the placing of the Convertible Bonds in Tranches by the Placing Agent to the Placees pursuant to the Placing Agreements
“Placing Agent”	FT Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreements”	the First Placing Agreement supplemented by the Supplemental Placing Agreement, the Second Supplemental Placing Agreement and the Third Supplemental Placing Agreement

DEFINITIONS

“Placing Period”	the period of three months commencing from the Business Day immediately after the EGM at which the Shareholders having approved the Placing and the issuance of the Convertible Bonds, unless terminated earlier pursuant to the terms of the Placing Agreements
“Possible Convertible Bonds”	the possible convertible bonds in the principal amount of up to HK\$15,660,000 which is convertible into a maximum of 87,000,000 new Shares at the conversion price of HK\$0.18 pursuant to an option subscription agreement and an option instrument included in the announcement published by the Company on 24 July 2012
“Second Supplemental Placing Agreement”	the second supplemental placing agreement dated 22 August 2013 in relation to the revision of the terms of the First Placing Agreement and the Supplemental Placing Agreement entered into between the Company and the Placing Agent in respect of the Placing
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to approve the Placing and the transactions contemplated thereunder pursuant to the Placing Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Placing Agreement”	the supplemental placing agreement dated 15 March 2013 in relation to the revision of the terms of the First Placing Agreement entered into between the Company and the Placing Agent in respect of the Placing
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission

DEFINITIONS

“Third Supplemental Placing Agreement”	the third supplemental placing agreement dated 16 October 2013 in relation to the revision of the terms of the First Placing Agreement, the Supplemental Placing Agreement and the Second Supplemental Placing Agreement entered into between the Company and the Placing Agent in respect of the Placing
“Tranche(s)”	each tranche in the Placing and the principal amount of the Convertible Bonds placed in each Tranche shall be HK\$1,350,000 or any multiple thereof and there shall not be more than five tranches in the Placing
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. So Yuen Chun

Mr. Yeung Kwok Leung

Non-Executive Director:

Mr. Lam Kwok Hing, Wilfred

Independent Non-executive Directors:

Mr. Yeung Wai Hung, Peter

Mr. Lam Raymond Shiu Cheung

Ms. Yuen Wai Man

Registered office:

Unit F, 7/F

China Overseas Building

139 Hennessy Road

Wanchai, Hong Kong

21 October 2013

To the Shareholders and holders of the Options

Dear Sir/Madam,

**PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 28 February 2013, 15 March 2013, 22 August 2013 and 16 October 2013.

LETTER FROM THE BOARD

Pursuant to the First Placing Agreement, the Placing Agent has conditionally agreed to procure the Placees to subscribe for no more than 120 Tranches (in which the principal amount of the Convertible Bonds placed in each Tranche shall be HK\$1,350,000 or any multiple thereof) of the Convertible Bonds of up to an aggregate principal amount of HK\$162,000,000 on a best-effort basis.

On 15 March 2013, the Supplemental Placing Agreement was entered into by and between the Company and the Placing Agent to revise the terms of the Placing in relation to change in (i) total number of tranches from 120 to 5; (ii) the Placing Period from the period of one year commencing upon the execution of the First Placing Agreement to the period of three months commencing from the Business Day immediately after the EGM at which the Shareholders having approved the Placing and the issuance of Convertible Bonds; and (iii) the Overall Completion Date changed from any Business Day in the period commencing from the execution of the Placing Agreement and ending on the seventh Business Day of the expiration of the placing period to any Business Day in the period commencing on the Business Day on which the Placing Period commences and ending on the seventh Business Day of the expiration of the Placing Period.

On 22 August 2013, the Second Supplemental Placing Agreement was entered into by and between the Company and the Placing Agent to further revise the terms of the Placing in relation to change in (i) principal amount of the Convertible Bonds from up to HK\$162,000,000 being revised to HK\$60,750,000; and (ii) number of the Conversion Shares from up to 1,200,000,000 Conversion Shares being revised to 450,000,000 Conversion Shares.

On 16 October 2013, the Third Supplemental Placing Agreement was entered into by and between the Company and the Placing Agent to further revise the terms of the Placing in relation to the change in relation to the conditions precedent of the Placing.

The purpose of this circular is to provide you with, among others, (i) details of the Placing and the transactions contemplated thereunder; and (ii) a notice convening the EGM at which ordinary resolution(s) will be proposed to approve the Placing and the transactions contemplated thereunder, including the grant of the Specific Mandate.

THE PLACING AGREEMENTS

Date

The First Placing Agreement was entered into on 26 February 2013 (after trading hours), the Supplemental Placing Agreement was entered into on 15 March 2013, the Second Supplemental Placing Agreement was entered into on 22 August 2013 (after trading hours) and the Third Supplemental Placing Agreement was entered into on 16 October 2013 (after trading hours).

LETTER FROM THE BOARD

Parties

- (a) The Company, as issuer; and
- (b) FT Securities Limited, as the Placing Agent

The Placing Agent

Pursuant to the Placing Agreements, FT Securities Limited, being the Placing Agent, has conditionally agreed to procure the Placees to subscribe for no more than 5 Tranches (in which the principal amount of the Convertible Bonds placed in each Tranche shall be HK\$1,350,000 or any multiple thereof) of the Convertible Bonds of up to an aggregate principal amount of HK\$60,750,000 on a best-effort basis.

As at date of the announcement of the Company dated 28 February 2013 regarding the Placing of Convertible Bonds under Specific Mandate, the Placing Agent was 33% beneficially owned by CGI (HK) Limited. CGI (HK) Limited was a shareholder of the Company with approximately 6.36% equity interest. Mr. So Yuen Chun is a director of the Company, CGI (HK) Limited and the holding company of CGI (HK) Limited. He is also the company secretary of the Company. Subsequently, CGI (HK) Limited has disposed all of its interest in the Placing Agent.

Mr. Yeung Kwok Leung is a director of the Company, the Placing Agent and the immediate holding company of the Placing Agent. Save for the abovementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its respective ultimate beneficial owners are third parties independent of the Group and its connected persons (as defined in the Listing Rules).

Placees

The Placing Agent has conditionally agreed to procure, on a best-effort basis, not less than six independent Placees to subscribe the Convertible Bonds. The Placing Agent shall use its reasonable endeavour to ensure that (a) it will offer or place all of the Convertible Bonds to Placees who are and whose ultimate beneficial owners are independent institutional or private investor not connected with the Company and its connected persons (as defined in the Listing Rules) and not acting in concert (as such term is defined in the Takeovers Code) with connected persons of the Company; and (b) the terms of the placing letter with the Placee(s) (if any) will not be in breach of the terms of the Placing Agreements.

LETTER FROM THE BOARD

Placing Commission

The Placing Agent will be entitled to 3% of the principal amount of the Convertible Bonds successfully placed in the Tranche concerned. The placing commission for the Placing and the terms of the Placing Agreements were arrived at after arm's length negotiations between the Company and the Placing Agent. The Company has considered the range of the placing commission rate charged for other similar placing activities in the month immediately preceding the date of entering into the Second Supplemental Placing Agreement. From 23 July 2013 to 22 August 2013, the market placing commission rate charged by various placing agents ranged from 1.5% to 4% on the gross proceeds of the actual number of placing shares successfully placed.

Taking into account (i) the liquidity of the Shares and (ii) the range of the market placing commission rate, the Company is of the view that the 3% placing commission rate is in line with the market rate and is thus fair and reasonable.

Principal Terms of the Convertible Bonds

Issuer:	The Company
Principal amount:	Up to HK\$60,750,000
Principal amount of each Tranche:	The principal amount of the Convertible Bonds placed in each Tranche shall be HK\$1,350,000 or any multiple thereof.
Conversion Price:	The Conversion Price of HK\$0.135 represents: <ul style="list-style-type: none">(i) a discount of approximately 82.00% to the closing price of HK\$0.75 per Share as quoted on the Stock Exchange on the Latest Practicable Date;(ii) a discount of approximately 49.06% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Day;(iii) a discount of approximately 43.51% to the average closing price of HK\$0.239 per Share as quoted on the Stock Exchange for the last five consecutive trading days including the Last Trading Day; and

LETTER FROM THE BOARD

- (iv) a discount of approximately 43.51% to the average closing price of approximately HK\$0.239 per Share as quoted on the Stock Exchange for the last ten consecutive trading days including the Last Trading Day.

In arriving at the Conversion Price, the Company had considered the prevailing market price of the Shares for the periods immediately before entering into the Placing Agreement, including but not limited to the (i) 10-day average closing price of the Shares, being HK\$0.2387 and (ii) 1-month average closing price of the Shares, being HK\$0.2392.

The Company had also considered the liquidity of the Shares for the periods immediately before entering into the First Placing Agreement, including but not limited to the (i) 10-day average trading volume of the Shares, being 2,591,093 Shares, representing approximately 0.60% of the total number of issued Shares of 435,148,866 Shares as at 26 February 2013; (ii) 1-month average trading volume of the Shares, being 1,554,217 Shares, representing approximately 0.36% of the total number of issued Shares of 435,148,866 Shares as at 26 February 2013.

Taking into account (i) the unsatisfactory overall performance of the Company in the past three years; and (ii) the thin trading volume of the Shares, the Conversion Price of HK\$0.135 had been arrived at after arm's length negotiation between the Company and the Placing Agent to increase marketability of the Shares. The Directors are of the view that, although the Conversion Price of HK\$0.135 represents a relatively significant discount as compared to the average closing prices of the Shares, and in view that the Placing has no immediate dilution effect on the shareholding of the Company, the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Anti-dilution adjustments: The Conversion Price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the Convertible Bonds remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:–

- (i) consolidation and subdivision;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) issue of Shares by way of rights;
- (v) issue of other securities by way of rights;
- (vi) issue of Shares other than by way of rights;
- (vii) issue of Shares upon conversion or exchange;
- (viii) modification of rights of conversion or exchange;
and
- (ix) offers for Shares.

The Company will make further announcement in compliance with the relevant Listing Rules when the adjustment events are triggered.

Conversion Shares: Assuming the Convertible Bonds in the principal amount of up to HK\$60,750,000 are converted at the Conversion Price of HK\$0.135, up to a maximum of 450,000,000 new Shares will be allotted and issued, representing (a) approximately 102.95% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 50.73% of the issued share capital of the Company as enlarged by the Conversion Shares.

The Conversion Shares will be allotted and issued under the Specific Mandate.

LETTER FROM THE BOARD

Interest:	The Convertible Bonds shall not bear any interest.
Maturity Date:	31 December 2016
Conversion Rights:	<p>Each Bondholder shall have the right, exercisable during the Conversion Period in the manner provided in the Bond Instrument, to convert the whole or any part (in multiples of HK\$1,350,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the conversion date.</p> <p>No fraction of a Conversion Share shall be issued on conversion and <i>in lieu</i> thereof the Company shall pay a cash amount in HK\$ equal to such amount of the Convertible Bonds that is not converted.</p>
Limitations on conversion of the Convertible Bonds:	<p>The Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the conversion rights attached to the Convertible Bonds, less than 25% or the minimum prescribed percentage as set out in the Listing Rules of the Company's issued shares would be held by the public immediately after the relevant exercise of such conversion rights.</p> <p>Further, the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of such conversion rights, the Bondholder and/or parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) under the Takeovers Code.</p>

LETTER FROM THE BOARD

Redemption:

Redemption at maturity

Any principal amount of the Convertible Bonds which has not been redeemed or converted in accordance with the conditions as set out in the Bond Instrument by the Maturity Date, shall, at the absolute discretion of the Company (and regardless of whether or not the Bondholders concerned have requested for conversion of any or all principal amount of the Convertible Bonds into Conversion Shares), either be redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of the Convertible Bonds, or be converted into the Conversion Shares.

Redemption on default

If any of the events (“**Events of Default**”) specified below occur, the Company shall forthwith give notice thereof to the Bondholders and each Bondholder may (without prejudice to any other rights and remedies available to the Bondholders), at its option, opt to convert the Convertible Bonds in its entirety or, alternatively, issue a notice of redemption to the Company in respect of part or all of the principal amount of the Convertible Bonds held by it, whereupon the Convertible Bonds shall become immediately due and payable at a redemption amount equal to 100% of the principal amount of the Convertible Bonds. The Events of Default are as follows:–

- (i) any failure to pay the principal amount of the Convertible Bonds when due and such failure continues for a period of seven Business Days;

LETTER FROM THE BOARD

- (ii) any default made by the Company in the performance or observance of any undertaking, warranty or representation given by it under these terms (other than the covenant to pay the principal amount of the Convertible Bonds) and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or if capable of remedy is not remedied within fifteen Business Days of service by any Bondholder on the Company of notice requiring such default to be remedied;

- (iii) any other present or future indebtedness of the Company or any of its subsidiaries (the “**Subsidiaries**”) for or in respect of any bond, debenture, note or similar instrument of indebtedness or any other monies borrowed or raised, becomes due and payable prior to its stated maturity otherwise than at the option (as the case may be) of the Company or the relevant Subsidiary, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any such indebtedness provided that the aggregate amount of indebtedness and guarantees and indemnities in respect of which one or more events mentioned above have occurred equals or exceeds HK\$200,000,000 or its equivalent in any other currency provided that the provisions of this paragraph (iii) shall not apply to any alleged default if the Company or the relevant Subsidiary, as the case may be, is contesting the matter in good faith;

LETTER FROM THE BOARD

- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a resolution of the Bondholders;
- (v) a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any Subsidiary except (a) for the purposes of or pursuant to and followed by a consolidation or amalgamation with or merger into the Company or any other Subsidiary, (b) for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction (other than as described in (a) above) the terms of which shall have previously been approved by a resolution of the Bondholders, or (c) by way of a voluntary winding up or dissolution where there are surplus assets in such Subsidiary and such surplus assets attributable to the Company and/or any other Subsidiary are distributed to the Company and/or any such other Subsidiary;
- (vi) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company or any Subsidiary;
- (vii) a distress, execution or seizure order before judgment is levied or enforced upon or sued out against the whole or a material part of the property, assets or revenues of the Company or any Subsidiary (as the case may be) and is not discharged or stayed within thirty Business Days or such longer period as the Bondholders, by a resolution of the Bondholders, may consider appropriate in relation to the event concerned;

LETTER FROM THE BOARD

- (viii) the Company or any of its Subsidiaries is insolvent or unable to pay its debts as and when they fall due or the Company or any of its Subsidiaries shall initiate or consent to proceedings relating to itself under any applicable administration, bankruptcy, composition or insolvency law or scheme of arrangement while insolvent (except, for the avoidance of doubt, for the purposes of a dissolution or winding-up permitted under paragraphs (iv) or (v) above) or makes a general assignment for the benefit of, or enters into any composition with, its creditors;
- (ix) proceedings shall have been initiated against the Company or any Subsidiary under any applicable bankruptcy, reorganisation or insolvency law, and such proceedings shall not have been discharged or stayed within fifteen Business Days thereafter (or such longer period as the Bondholder(s) by a resolution of the Bondholders may consider appropriate in relation to the jurisdiction concerned);
- (x) it is or becomes unlawful for the Company to perform or comply with any of its obligations under the Bond Instrument or any Convertible Bonds, or due to no fault on the part of any Bondholder any such obligation is not or ceases to be enforceable or is claimed by the Company not to be enforceable;
- (xi) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all or (other than on arm's length terms or with respect to a part of the relevant entity's business or operations which has not materially contributed to the consolidated operating profit of the Company and its Subsidiaries for at least three years prior to the day on which this paragraph operates) a material part of the assets of the Company or any of its Subsidiaries;

LETTER FROM THE BOARD

- (xii) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds or the Bond Instrument, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Convertible Bonds or the Bond Instrument admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done by the requisite time;
- (xiii) any breach of the representations, warranties and undertakings made by the Company to the Bondholder(s) in reliance of which the Bondholder(s) subscribes to the Convertible Bonds; or
- (xiv) any event occurs which has an analogous effect to any of the events referred to in paragraphs (i) to (xiii) above.

Conversion Period:

the period commencing from the initial date of issue of the Convertible Bonds and ending on the date which falls on the fifth Business Day before the Maturity Date, both dates inclusive, provided that if the Company fails to redeem the Convertible Bonds on the redemption date in accordance with the terms of the Bond Instrument the period shall continue until redemption in full occurs.

Ranking:

Conversion Shares issued upon exercise of conversion rights attached to the Convertible Bonds shall rank *pari passu* in all respects with all other existing Shares outstanding at the conversion date and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after such conversion date.

LETTER FROM THE BOARD

Transferability: The Convertible Bonds may be transferred to any person provided that where the Convertible Bond is intended to be transferred to a connected person (as defined in the Listing Rules) (other than the associates of the Bondholder), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

Application for listing: No application shall be made to the Stock Exchange for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Pursuant to the Placing Agreements and the Bond Instrument, there is no requirement and/or restriction on the Placees to dispose the Conversion Shares under the terms of the Convertible Bonds.

Conditions of the Placing Agreements

Completion of each Tranche in the Placing shall be conditional upon:

- (a) the Placing Agent having successfully procured the Placee(s) to subscribe for the Convertible Bonds during the Placing Period;
- (b) the Company's compliance with, and procurement for the compliance with, all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for approval of the Placing, issuance of the Convertible Bonds and the listing of and permission to deal in the Conversion Shares to be issued and allotted on the conversion of the Convertible Bond and ensure the continued compliance thereof (provided in each case that the Placee(s) complies with and satisfies all such conditions);
- (c) the Shareholders having approved the Placing and the issuance of the Convertible Bonds; and
- (d) the warranties in the Placing Agreements are, and shall remain, valid, binding and effective.

LETTER FROM THE BOARD

Apart from the conditions precedent set out in (d) above, none of the other conditions above can be waived by the Placing Agent.

If the conditions above are not, or cannot be, fulfilled or satisfied (or waived pursuant to the Placing Agreements) prior to the Business Day immediately before the scheduled date of completion of a particular Tranche, completion of the Tranche concerned shall be cancelled without any recourse to the Company provided that if the conditions are not, or cannot be, fulfilled or satisfied (or waived pursuant to the Placing Agreements) prior to the Business Day immediately before the Overall Completion Date, completion of the Tranche concerned shall be cancelled without any recourse to the Company, and in any event, there shall not be any postponement or delay of the Overall Completion Date.

Completion of the Placing

The Placing Agent may conduct the Placing in different Tranches provided that (i) the principal amount of the Convertible Bonds placed in each Tranche shall not be less than HK\$1,350,000 or any multiple thereof, (ii) the Placing shall consist of no more than 5 Tranches in total; (iii) all Tranches and the completion of each and every Tranche in the Placing shall take place on or before the Overall Completion Date, and (iv) the conditions above are satisfied or fulfilled for each and every Tranche.

Subject to termination of the Placing Agreements, completion of each Tranche in the Placing shall take place at the offices of the Company at 4:00 p.m. on the scheduled date of completion of the Tranche concerned or on the Overall Completion Date (whichever shall be appropriate), and there shall not be any postponement or delay of the Overall Completion Date.

If there is any change or delay of the Placing Period and/or the Overall Completion Date, such change will be regarded as a material change of terms of the Placing and will be subject to separate Shareholders' approval in compliance with the Listing Rules.

LETTER FROM THE BOARD

Termination of the Placing Agreements

If at any time prior to 10:00 a.m. on the Business Day immediately prior to the scheduled date of completion of the Tranche concerned or the Overall Completion Date (whichever shall be appropriate):

- (i) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the opinion of the Placing Agent and in its absolute discretion may materially and adversely affect the business or financial condition or prospects of the Group as a whole; or
 - (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date of the First Placing Agreement) of a political, military, economic or other nature (whether or not *ejusdem generis* with the foregoing) which, in the sole opinion of the Placing Agent and in its absolute discretion will, or may be expected to, have a material adverse effect on the Placing or of the Tranche concerned; or
 - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the sole opinion of the Placing Agent and in its absolute discretion has or may have a material adverse effect on the Placing or of the Tranche concerned; or
- (ii) any breach of any of the warranties in the Placing Agreements which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing or of the Tranche concerned, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Placing Agreements which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing or of the Tranche concerned; or

then and in any such case, the Placing Agent may, in its sole and absolute discretion, terminate, without liability to the Company or any other party, (i) the Placing of the Tranche concerned, (ii) the Placing of all remaining Tranches, and/or (iii) the Placing Agreements, by giving notice in writing to the Company, which notice may be given at any time prior to the scheduled date of completion of the Tranche concerned or the Overall Completion Date (whichever shall be appropriate).

LETTER FROM THE BOARD

In the event that the Placing Agreements are terminated pursuant to the paragraphs above, all obligations of each of the parties under the Placing Agreements shall cease and terminate and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreements except for (i) any antecedent breach of the Placing Agreement, (ii) the Placing Agent's remittance of the net consideration to the Company, and (iii) the Company's settlement of the placing commission, the disbursements, the outgoings and the stamp duty. For any avoidance of doubt, any termination of the Placing Agreements shall not affect, and shall not have any impact on, such principal amount of the Convertible Bonds already placed by that juncture or the Placee(s)' rights and interest.

To the best of their knowledge, the Directors are not aware of the occurrence of any of such events as at the Latest Practicable Date.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement(s)	Actual use of proceeds
24 July 2012 and 8 October 2012	Placing of options to subscribe for convertible bonds	Approximately HK\$653,000	To be used for general working capital of the Company	Approximately HK\$430,000 utilized as payment for professional fees and the remaining balance utilized for staff and administrative cost

Save as disclosed above the Company has not conducted any fund raising exercise during the 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon full conversion of the Convertible Bonds but before the exercise of the conversion rights attached to the Possible Convertible Bonds or the outstanding share options under the share option scheme of the Company; (iii) upon full conversion of the Convertible Bonds and the exercise of the conversion rights attached to the Possible Convertible Bonds and before exercise of the outstanding share options under the share option scheme of the Company; and (iv) upon full conversion of the Convertible Bonds and the exercise of the conversion rights attached to the Possible Convertible Bonds and the outstanding share options under the share option scheme of the Company (for illustration purposes only):

	(i) as at the Latest Practicable Date		(ii) upon full conversion of the Convertible Bonds but before the exercise of the conversion rights attached to the Possible Convertible Bonds or the outstanding share options under the share option scheme of the Company		(iii) upon full conversion of the Convertible Bonds and the exercise of the conversion rights attached to the Possible Convertible Bonds and before exercise of the outstanding share options under the share option scheme of the Company		(iv) upon full conversion of the Convertible Bonds and the exercise of the conversion rights attached to the Possible Convertible Bonds and the outstanding share options under the share option scheme of the Company	
	No. of Shares	approx. %	No. of Shares	approx. %	No. of Shares	approx. %	No. of Shares	approx. %
Placees	–	–	450,000,000	50.73%	450,000,000	46.20%	450,000,000	45.57%
Holder(s) of the Options (Note 1)	–	–	–	–	87,000,000	8.93%	87,000,000	8.81%
Holder(s) of the share options (Note 2)	–	–	–	–	–	–	13,488,000	1.37%
Director(s)	–	–	–	–	–	–	9,136,800	0.93%
Holder(s) other than Director(s)	–	–	–	–	–	–	4,351,200	0.44%
Other public Shareholder(s)	437,105,466	100.00%	437,105,466	49.27%	437,105,466	44.87%	437,105,466	44.25%
Total	437,105,466	100%	887,105,466	100%	974,105,466	100%	987,593,466	100%

Notes:

- Reference is made to the announcements of the Company dated 24 July 2012 and 8 October 2012, the Company and the relevant placing agent entered into the second placing agreement in relation to the placing of the Options. Upon exercise of the Options, the holders of the Option(s) are entitled to subscribe for, in aggregate, the Possible Convertible Bonds in the principal amount of up to HK\$15,660,000 which is convertible into a maximum of 87,000,000 new Shares of the Company at the conversion price of HK\$0.18.

None of the holders of the Options is a connected person (as defined under the Listing Rules).

- The share options refer to the outstanding share options under a share option scheme of the Company approved on 22 May 2008.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has (i) outstanding share options under a share option scheme approved on 22 May 2008 entitling scheme participants to subscribe for 13,488,000 Shares; and (ii) the Options.

Save as disclosed above, the Company does not have any outstanding options, warrants and convertible securities to subscribe the Shares as at the Latest Practicable Date.

REASONS FOR THE PLACING AND USE OF PROCEEDS

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

The Directors are of the view that the Placing represents an opportunity to raise additional capital for the Company to enhance its general working capital base, to broaden its shareholders' base after conversion and to finance any business opportunities which are expected to enhance its growth without immediate dilution effect on the shareholding of the Company. The Directors believe that the long-term benefits arising from the support of the Placing for the overall development of the Group will increase the value of the Shares in the long run.

Subject to the outcome of the Placing, the maximum gross and net proceeds from the Placing (after deducting related expenses) are estimated to be approximately HK\$60,750,000 and approximately HK\$58,352,500, respectively, resulting in the net conversion price of approximately HK\$0.130 for each Conversion Share.

Reference is made to the announcements of the Company dated 15 March 2013 (the "**First Announcement**"), 22 August 2013 (the "**Second Announcement**") and 16 October 2013 (the "**Third Announcement**") (collectively, the "**Announcements**"). Due to the downsizing of the Placing, the net proceeds to be received are anticipated to decrease to approximately HK\$58,352,500, of which its allocation and intended use have also been modified accordingly.

As at the Latest Practicable Date, the Company intends to allocate approximately HK\$28 million of the net proceeds of the Placing to overhead expenses of the Company for the coming 18 months of which approximately HK\$9 million will be utilized for staff cost; approximately HK\$19 million for administrative expenses and legal & professional fee; approximately HK\$8 million for repayment of outstanding indebtedness; approximately HK\$12 million will be utilized to fund the loan financing businesses of the Company, which are mainly mortgage loan, corporate loan and personal loan; and approximately HK\$10 million will be applied on future investments, including possible investments in energy saving sector as mentioned in the announcement of the Company dated 6 September 2013 and other investments if materialized. Save as the abovementioned, as at the Latest Practicable Date, the Company has not identified any other specific investment targets and no such detail of possible investment and fundraising plans have been materialized.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company intends to allocate the net proceeds of approximately HK\$15,360,000 resulting from the conversion of the Possible Convertible Bonds upon the exercise of the Options by the holder(s) of the Options as general working capital of the Group, out of which approximately HK\$5 million will be utilized for staff cost and approximately HK\$10.36 million for administrative expenses and legal & professional fee.

The Company disclosed in the First Announcement that the Company planned to fund the loan financing business which are mainly mortgage services of the Company with approximately HK\$91 million out of the expected net proceeds. As the property market becomes less active in 2013 with the reactive policy-making by the government coming into effect such as the cooling measures to tame a bullish property market and curb excessive speculation, property prices may be prevented from increasing, which are key drivers of mortgage loans. The Company considers shifting its focus into developing the provision of corporate loans. Based on the above reasons, the Company considers the decrease in the proportion of funding to the loan financing business justified, reasonable and to the benefit of Shareholders and the Company as a whole.

As at the Latest Practicable Date, the Company has not identified any specific clients or entered into any agreements regarding provision of loan. However, it will continue to explore the market to identify clients for the loan financing business.

As at the Latest Practicable Date, the Company has intention but no agreement to acquire and/or invest in new business and/or material assets; has no intention to dispose, terminate, and/or scale down the Group's existing businesses and major assets; and has intention for conducting fund raising activities given that future investment plans are materialized with the respective funding needs yet the Company has no concrete fund raising plans at this stage. Referring to announcement of the Company dated 6 September 2013, it was mentioned that the Group is in negotiations of possible investments and possible fundraising exercise according to the Group's business strategies and possible development needs, including, possible investment in energy saving sector which has been reviewed previously and negotiated. As at the Latest Practicable Date, save as above, no specific target has been identified and no formal agreement regarding the abovementioned possible investment and possible fundraising plans has been reached. The Company will disclose further information in accordance with the Listing Rules when and if required.

Taking into account the 3% placing commission rate is in line with the market rate and is thus fair and reasonable, the unsatisfactory overall performance of the Company in the past three years and the thin trading volume of the Shares, the Directors are of the view that the terms of the Placing Agreements, which were arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors are of the view that the Placing represents an opportunity to raise additional capital for the Company to enhance its general working capital base, to broaden its shareholders' base after conversion and to finance any future business opportunities. The Group would continue exploring and broadening the existing businesses in order to strengthen its competitiveness and leverage ability in its industry. Save for the abovementioned possible investment in the energy saving sector, the Group is also looking for other investment opportunities to diversify its business portfolios, as at the Latest Practicable Date, no specific target has been identified. On the whole, to generate the abovementioned long-term benefit to the Shareholders, the Group is devoted to improve its business performance through continuous development. The Directors believe that the long-term benefits arising from the support of the Placing for the overall existing and future development of the Group will increase the value of the Shares in the long run.

ADJUSTMENT TO THE CONVERSION PRICE OF THE POSSIBLE CONVERTIBLE BONDS

Reference is made to the announcements of the Company in relation to (i) the placing of options to subscribe for the Possible Convertible Bonds dated 24 July 2012 and (ii) the completion of (i) abovementioned dated 8 October 2012. The initial conversion price of the Possible Convertible Bonds is HK\$0.18 per Share.

As mentioned in the Announcements, given that the Options have been exercised prior to the date of issue of the Convertible Bonds as a result of the Placing, the conversion price of the Possible Convertible Bonds may be subject to adjustment, which shall be determined by an independent accountant pursuant to the instruments of the Options and the Possible Convertible Bonds (the "**Adjustment**") and the number of conversion shares to be issued under the Possible Convertible Bonds may exceed the limit under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 June 2012 ("**Excess Conversion Shares**").

Reference is made to the Announcements, which mentioned that with regard to the possible excess of conversion shares, the Company would seek Shareholders' approval by way of application of specific mandate for the total number of conversion shares at the EGM; and if Shareholders' approval could not be obtained, the Company would consider cash settlement for the Excess Conversion Shares. According to opinion of the legal advisor of the Company, the Company would clarify that pursuant to the instrument of the Possible Convertible Bonds, the Adjustment will take place if there is any outstanding Possible Convertible Bonds. As at the Latest Practicable Date, none of the Options has been exercised to subscribe for the Possible Convertible Bonds and there is no outstanding Possible Convertible Bonds, therefore the Adjustment and the issuance of Excess Conversion Shares are not applicable.

LETTER FROM THE BOARD

If any holder of the Options exercises the right attached thereto and subscribe for the Possible Convertible Bonds prior to the completion of the Placing, the Company will only issue up to 87,000,000 conversion shares to the holders of the Possible Convertible Bonds under the general mandate granted by the Shareholders in the annual general meeting of the Company held on 28 June 2012 (the “**General Mandate**”). If the Adjustment takes place, the remaining capacity under the General Mandate can only issue up to 29,773 Shares, which is a minimal amount and insufficient for the issuance of the Excess Conversion Shares. The Company will therefore seek approval for a separate specific mandate from the Shareholders at an extraordinary general meeting in the future regarding the issue of the possible Excess Conversion Shares. If Shareholders’ approval could not be obtained for the conversion of any other outstanding Possible Convertible Bonds, the Company will not issue any Excess Conversion Shares but will make cash settlement upon redemption at maturity pursuant to the instrument of the Possible Convertible Bonds.

SPECIFIC MANDATE

The Company would seek Shareholders’ approval by way of application of the Specific Mandate to approve the Placing and the transactions contemplated thereunder pursuant to the Placing Agreements at the EGM. The Specific Mandate shall be granted to the Directors by ordinary resolution(s) of the Shareholders passed at the EGM.

EGM

The EGM will be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 5 November 2013 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Placing and the transactions contemplated thereunder, including the grant of the Specific Mandate. The notice convening the EGM is set out on pages 28 to 29 of this circular. A form of proxy for use at the EGM is also enclosed to this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll, except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Whether or not you are able to attend the EGM and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same at the Company’s registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, as soon as possible, in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish (as the case may be).

LETTER FROM THE BOARD

In compliance with the Listing Rules, the resolution(s) will be voted by way of a poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Director or Shareholder has a material interest in the Placing and no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM.

RECOMMENDATION

The Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole and is for the benefits of the Shareholders, and accordingly, recommends the Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Placing and the transactions contemplated thereunder, including the grant of the Specific Mandate.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By Order of the Board
The Hong Kong Building and Loan Agency Limited
So Yuen Chun
Executive Director

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of The Hong Kong Building and Loan Agency (the “**Company**”) will be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 5 November 2013 at 11:00 a.m. to consider and, if thought fit, pass the following resolution(s) as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the first placing agreement dated 26 February 2013 (the “**First Placing Agreement**”), (a copy of which is marked as “A” and produced to the Meeting and signed by the chairman of the Meeting for identification purpose), the supplemental placing agreement dated 15 March 2013 (the “**Supplemental Placing Agreement**”), (a copy of which is marked as “B” and produced to the Meeting and signed by the chairman of the Meeting for identification purpose), the second supplemental placing agreement dated 22 August 2013 (the “**Second Supplemental Placing Agreement**”), (a copy of which is marked as “C” and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) and the third supplemental placing agreement dated 16 October 2013 (the “**Third Supplemental Placing Agreement**”), (a copy of which is marked as “D” and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) entered into between the Company as the issuer and FT Securities Limited as the placing agent in relation to the placing of the convertible bonds (the “**Convertible Bonds**”) in the principal amount of up to an aggregate of HK\$60,750,000 on a best-effort basis (the “**Placing**”) at the conversion price of HK\$0.135 per conversion share of the Company (the “**Conversion Share**”) and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

NOTICE OF EGM

- (b) conditional upon, among others, The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares, the allotment and issuance of the Conversion Shares pursuant and subject to the terms and conditions of the Placing Agreements be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Placing and the transactions contemplated thereunder, including the allotment and issuance of the Conversion Shares, and to agree to such variations of the terms of the First Placing Agreement, the Supplemental Placing Agreement, the Second Supplemental Placing Agreement and the Third Supplemental Placing Agreement as he or she may in his or her absolute discretion consider necessary or desirable.”

By order of the Board
The Hong Kong Building and Loan Agency Limited
So Yuen Chun
Executive Director

Hong Kong, 21 October 2013

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company’s registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or any adjournment.
- (4) As at the date of this notice, the Board comprises Mr. So Yuen Chun and Mr. Yeung Kwok Leung being executive Directors; Mr. Lam Kwok Hing, Wilfred being non-executive Director; and Mr. Yeung Wai Hung, Peter, Mr. Lam Raymond Shiu Cheung and Ms. Yuen Wai Man being independent non-executive Directors.