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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)

**(1) PLACING OF NEW SHARES
UNDER A SPECIFIC MANDATE;
(2) REFRESHMENT OF GENERAL MANDATE
AND
(3) RESUMPTION OF TRADING**

Placing Agent



KINGSTON SECURITIES LIMITED

THE PLACING

On 12 August 2010 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 1,135,000,000 Placing Shares, by a maximum of four tranches (in which each tranche shall not be less than 300,000,000 Placing Shares, save for the last tranche), to not less than six Placees who and whose ultimate beneficial owners are Independent Third Parties, at a price of HK\$0.11 per Placing Share. The maximum number of 1,135,000,000 Placing Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM.

The maximum number of 1,135,000,000 Placing Shares represents (i) approximately 39.86% of the existing issued share capital of the Company of 2,847,812,109 Shares in issue as at the date of this announcement; and (ii) approximately 28.50% of the Company's issued share capital of 3,982,812,109 Shares as enlarged by the Placing Shares.

The Placing Price of HK\$0.11 represents (i) a discount of approximately 17.91% to the closing price of HK\$0.134 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 17.29% to the average closing price of approximately HK\$0.133 per Share in the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 19.12% to the average closing price per Share of approximately HK\$0.136 in the last ten consecutive trading days up to and including the Last Trading Day.

The maximum gross proceeds from the Placing will be approximately HK\$124.85 million. The maximum net proceeds of approximately HK\$121.45 million from the Placing are intended to be used for general working capital and/or future potential investments of the Group. The net proceeds raised per Placing Share upon completion of the Placing will be approximately HK\$0.107 per Placing Share.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

REFRESHMENT OF GENERAL MANDATE

The Company intends to put forward the proposal for the refreshment of the General Mandate for approval by Shareholders at the EGM.

GENERAL

The EGM will be convened and held for the purposes of considering and, if thought fit, approving, among others, the Placing and the transactions contemplated under the Placing Agreement and the refreshment of the General Mandate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have any material interest in the transactions contemplated under the Placing Agreement as at the date of this announcement. Accordingly, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among others, further details of (i) the Placing; (ii) the refreshment of the General Mandate; and (iii) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 13 August 2010 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 16 August 2010.

THE PLACING AGREEMENT

Date

12 August 2010 (after trading hours)

Issuer

The Company

Placing Agent

The Placing Agent has conditionally agreed to place up to 1,135,000,000 Placing Shares, on a best effort basis, by a maximum of four tranches (in which each tranche shall not be less than 300,000,000 Placing Shares, save for the last tranche) to the Placees and will receive a placing commission of 2.5% on the gross proceeds of the actual number of Placing Shares placed. Such placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market rate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Shares will be placed to not less than six Placees, who and whose ultimate beneficial owners shall be Independent Third Parties. It is expected that none of the individual Placees will become a substantial Shareholder (as defined in the Listing Rules) immediately after completion of the relevant tranche of the Placing.

Number of Placing Shares

The 1,135,000,000 Placing Shares represent: (i) approximately 39.86% of the existing issued share capital of the Company of 2,847,812,109 Shares as at the date of this announcement and; (ii) approximately 28.50% of the then issued share capital of 3,982,812,109 Shares as enlarged by the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing will be HK\$113,500,000.

Ranking of Placing Shares

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

Placing Price

The Placing Price of HK\$0.11 represents:

- (i) a discount of approximately 17.91% to the closing price of HK\$0.134 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.29% to the average closing price of approximately HK\$0.133 per Share in the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 19.12% to the average closing price of approximately HK\$0.136 per Share in the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the relevant tranche of the Placing;
- (ii) the passing of a necessary resolution by the Shareholders to approve the allotment, and issuance of as well as dealing in the Placing Shares at the EGM; and
- (iii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding *force majeure* events.

The Company and the Placing Agent agreed that the Placing will be completed in tranches by a maximum of four tranches provided that the aggregate number of the Placing Shares for each tranche shall not be less than 300,000,000 (save for the last tranche of the Placing where the number of the Placing Shares to be allotted and issued may be less than 300,000,000) and that the conditions precedent of the Placing shall apply to each of such partial completion.

If any of the above conditions are not fulfilled prior to 10:00 a.m. on the date falling on three months after the date of EGM or such later time or date as may be agreed between the Placing Agent and the Company, the Placing Agreement shall terminate and subject to terms of the Placing Agreement, neither party shall have any claim against the other for any costs or losses (save for any antecedent breaches of the Placing Agreement).

Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM.

Termination and *force majeure*

- (i) **Unless otherwise agreed among between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (a) completion of the Placing; and (b) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.**

- (ii) **The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 10:00 a.m. on the date of completion of the Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any *force majeure* events (as defined below).**

For this purpose, a “*force majeure* event” refers to

- (a) **the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group; or**
- (b) **the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or**
- (c) **any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.**

- (iii) If, at or prior to 10:00 a.m. on the date of completion of the Placing;**
- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or**
 - (b) the trading of the Shares on the Stock Exchange has been suspended for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or any announcements or circulars relating to the Placing; or**
 - (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.**

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

The Directors are not aware of the occurrence of any such events as at the date of this announcement.

Completion of the Placing

Completion of each tranche of the Placing will take place within four business days after the fulfillment of the conditions for each tranche set out in the Placing Agreement, but not later than the date falling on three months after the date of EGM or such later date as may be agreed between the Company and the Placing Agent.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The maximum gross proceeds from the Placing will be approximately HK\$124.85 million. The maximum net proceeds from the Placing will amount to approximately HK\$121.45 million which is intended to be used for general working capital and/or future potential investments of the Group. The net proceeds raised per Placing Share upon the completion of the Placing will be approximately HK\$0.107 per Placing Share.

The Directors consider that the Placing represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Taking into account that (i) the possible enhancement of the profile of the Shareholders given that the Placees will be professional, institutional or other investors or any of their respective subsidiaries or associates; and (ii) the long-term benefits that may be generated from the investments to be made with the proceeds from the Placing which in turn will increase the value of the Shares, the Directors are of the view that the Placing is in the interest of the Company and the Shareholders as a whole.

The Board has also considered alternative fund raising methods, such as bank borrowings, rights issues and open offers. However, after holding preliminary discussions with the Placing Agent, the Directors found that under the prevailing market conditions, it would be difficult to secure an underwriter to commit to a possible rights issue or open offer. In this respect, the Placing is a preferable method of fund raising as it is on a best effort basis. In view of the aforesaid and the relatively long timetable for rights issues and open offers, the Board has decided not to proceed with fund raising exercises of such nature. Further, the Directors are of the view that it is prudent to finance the Group's long-term growth by long-term funding, preferably in the form of equity which will not increase the Group's finance costs. Given that the net proceeds from the Placing would enhance the Company's capital base and would not incur any interest expense burden to the Group as compared with debt financing, the Directors consider that the Placing is a preferred means of fund raising for the Group.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS OF THE COMPANY

Apart from the fund raising activities mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement.

Date of initial announcement	Fund raising activity	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
7 June 2010	Placing of warrants	Approximately HK\$5.3 million	For general working capital	Fully utilised as intended
24 March 2010	Open offer of 562,000,000 offer shares at HK\$0.10 with a further option to subscribe for the convertible bonds with an aggregate principal amount of equal or not more than 80% of the aggregate value of the offer shares	Approximately HK\$54 million from the open offer	For general working capital and future development of the business	Fully utilised as general working capital

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing (assuming the maximum number of 1,135,000,000 Placing Shares are placed in full) is set out as below:

	As at the date of this announcement		Upon completion of the Placing	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<i>Substantial Shareholders:</i>				
Mr. Tang Yu Ming, Nelson (Note 1)	561,239,500	19.71	561,239,500	14.09
Ms. Liang Gui Lian (Note 2)	316,825,000	11.13	316,825,000	7.95
Mr. Ni Rong Kun	316,825,000	11.13	316,825,000	7.95
<i>Public:</i>				
Placees	–	–	1,135,000,000	28.50
Other public Shareholders	1,652,922,609	58.04	1,652,922,609	41.50
Total	<u>2,847,812,109</u>	<u>100.00</u>	<u>3,982,812,109</u>	<u>100.00</u>

Notes:

1. Mr. Tang Yu Ming Nelson, a former chairman of the Company and a non-executive Director resigned from the aforesaid offices on 14 May 2010, is deemed to be interested in 561,239,500 Shares by virtue of his 100% beneficial holding in Hyde Park Group Limited (“**Hyde Park**”). Hyde Park’s interest in 561,239,500 Shares comprised of (i) its beneficial interest in 6,279,500 Shares; and (ii) its deemed interest in 554,960,000 Shares through its wholly-owned subsidiary, Island New Finance Limited.
2. Ms. Liang Gui Lian, is deemed to be interested in 316,825,000 Shares by virtue of her 100% beneficial holding in Best Leader Investment Limited (“**Best Leader**”). Best Leader is deemed to be interested in 316,825,000 Shares by virtue of its 80% beneficial holding in Express Advantage Limited.

REFRESHMENT OF GENERAL MANDATE

The Company intends to put forward the proposal for the refreshment of the General Mandate for approval by Shareholders at the EGM.

GENERAL

The Company was incorporated in Hong Kong with limited liability. The Group is principally engaged in mortgage financing and treasury investments.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

The EGM will be convened and held for the purposes of considering and, if thought fit, approving, among others, the Placing and the transactions contemplated under the Placing Agreement and the refreshment of the General Mandate. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have any material interest in the transactions contemplated under the Placing Agreement as at the date of this announcement. Accordingly, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among others, further details of (i) the Placing; (ii) the refreshment of the General Mandate; and (iii) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 13 August 2010 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 16 August 2010.

TERMS AND DEFINITIONS

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the board of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for Shareholders to consider and, if thought fit, to approve, among others, the Placing and the transactions contemplated under the Placing Agreement, and the refreshment of the General Mandate
“General Mandate”	a general mandate proposed to be sought at the EGM to authorise the Directors to issue new Shares during the relevant period up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the EGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons (has the meaning ascribed to it in the Listing Rules)
“Last Trading Day”	12 August 2010, being the last trading day for the Shares prior to this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares by a maximum of four tranches (in which each tranche shall not be less than 300,000,000 Placing Shares, save for the last tranche), on a best effort basis, pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 12 August 2010 in relation to the Placing
“Placing Price”	HK\$0.11 per Placing Share
“Placing Share(s)”	A maximum of 1,135,000,000 new Shares to be placed pursuant to the Placing Agreement
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 13 August 2010

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