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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)**

**FURTHER ANNOUNCEMENT  
IN RELATION TO  
THE PLACING OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE**

Reference is made to the announcements of the Company dated 28 February 2013, 15 March 2013 and 22 August 2013 (the “**Announcements**”) in relation to, among others, the Placing. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The Board wishes to inform the Shareholders (i) the third supplemental placing agreement being entered into on 16 October 2013 in relation to the revision of the terms of the Placing Agreement, the Supplemental Placing Agreement and the Second Supplemental Placing Agreement; (ii) the change in the use of proceeds resulting from the Placing; and (iii) the Adjustment.

## THE THIRD SUPPLEMENTAL PLACING AGREEMENT

The Company would like to inform the Shareholders that the third supplemental placing agreement was entered into on 16 October 2013 (after trading hours) in relation to the revision of the terms of the Placing Agreement dated 26 February 2013 (the “**Placing Agreement**”), the supplemental placing agreement dated 15 March 2013 and the second supplemental agreement dated 22 August 2013 (collectively, the “**Supplemental Placing Agreements**”) as the following:

Pursuant to the Third Supplemental Placing Agreement, the Company and the Placing Agent have agreed to amend the following:

- (i) clause (a) under the conditions precedent of the Placing Agreement, which was announced by the Company on 26 February 2013, to be revised as

*“the Placing Agent having successfully procured the Placee(s) to subscribe the Convertible Bond during the Placing Period”;*

- (ii) clause 2.3 of the Placing Agreement, which was announced by the Company on 26 February 2013, to be revised as

*“If the conditions precedent are not, or cannot be, fulfilled or satisfied (or waived pursuant to clause 2.2 of the Placing Agreement) 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 clause 2.2 of the Placing Agreement) 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.” and*

(iii) clause 5.1 of the Placing Agreement, which was announced by the Company on 26 February 2013, to be revised as

*“Subject to clause 5.2 and 5.3 of the Placing Agreement, 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.”*

Save as disclosed above, there is no material change to the terms of the Placing Agreement and the Supplemental Placing Agreements and all terms and conditions of the Placing Agreement and the Supplemental Placing Agreements remain unchanged and in full force and effect.

## **REASONS FOR ENTERING INTO THE THIRD SUPPLEMENTAL PLACING AGREEMENT**

The terms of the third supplemental placing agreement were arrived at after arm's length negotiations between the Company and the Placing Agent, and the Directors believe that the terms of the third supplemental placing agreement are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole.

## **CHANGE IN THE USE OF PROCEEDS OF THE PLACING**

On 26 February 2013 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Convertible Bonds in the principal amount of up to HK\$162,000,000 were to be placed. Subsequently, the Company and the Placing Agent entered into the second supplemental placing agreement on 22 August 2013 pursuant to which the principal amount of the Convertible Bonds shall be revised to up to HK\$60,750,000. 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 date of this announcement, 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 utilised 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 date of this announcement, the Company has not identified any other specific investment targets and no such detail of possible investment and fundraising plans have been materialized.

As at the date of this announcement, 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 announcement of the Company dated 15 March 2013 that the Company planned to fund the loan financing business which is 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 date of this announcement, 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 date of this announcement, 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 date of this announcement, 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.

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 date of this announcement, 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 date of this announcement, none of the Options have 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.

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.

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

Hong Kong, 16 October 2013

*As at the date of this announcement, 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.*