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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)

- (I) PLACING OF EXISTING SHARES;
(II) SUBSCRIPTION OF NEW SHARES UNDER
GENERAL MANDATE;
(III) SUBSCRIPTION OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE;
AND
(IV) RESUMPTION OF TRADING**

JOINT BOOKRUNNERS



中信建投國際

—CSCI—



太平基業證券有限公司

PACIFIC FOUNDATION SECURITIES LIMITED

JOINT PLACING AGENTS



中信建投國際

—CSCI—



太平基業證券有限公司

PACIFIC FOUNDATION SECURITIES LIMITED



FT Securities Limited



RHB OSK

RHB OSK Securities Hong Kong Limited



中国平安

中国平安證券(香港)

PING AN OF CHINA SECURITIES (HONG KONG)

THE PLACING

On 27 May 2014, the Company and the Joint Placing Agents entered into the Placing Agreement pursuant to which, the Company has conditionally agreed to place, through the Joint Placing Agents on a best effort basis, up to 397,000,000 Placing Shares in Tranches at the Placing Price of HK\$0.8 per Placing Share, to not less than six Placees who and whose beneficial owners are independent third parties to the Company.

The Placing Price of HK\$0.8 represents (i) a discount of approximately 3.6% to the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 2.6% to the average closing price of HK\$0.78 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The maximum number of 397,000,000 Placing Shares represent (i) approximately 62.28% of the existing issued share capital of the Company of 637,395,866 Shares as at the date of this announcement; and (ii) approximately 38.38% of the issued share capital of the Company as enlarged by the issue of Placing Shares.

The maximum gross proceeds from the Placing will be approximately HK\$317.6 million. The maximum net proceeds, after deducting the placing commission, the Praecipium and other related expenses, are estimated to be approximately HK\$298.9 million, representing a net price of approximately HK\$0.75 per Placing Share. The Company intends to apply the net proceeds from the Placing in the following manner: as to (i) HK\$33.1 million for settling the cash portion of the consideration of the Acquisition, and (ii) the remaining balance of approximately HK\$265.8 million for general working capital of Weldtech Technology Co. Limited assuming and upon completion of the Acquisition, and other fees and expenses in connection with the Acquisition.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Pursuant to the Stock Lending and Subscription Agreement, which is to be entered into between the Company, the Other Vendors, and PFS, the Other Vendors would conditionally agree to lend or otherwise make available the PF Placing Shares to PFS for the purpose of the PF Placing, and PFS shall be authorised to deal with the PF Placing Shares in such manner in the PF Placing under the Placing as it deems fit and appropriate. The Other Vendors would also undertake to subscribe for up to 87,000,000 GM Subscription Shares as is equivalent to the exact number of PF Placing Shares placed in the PF Placing, and the GM Subscription shall be governed and regulated by the provisions under the Stock Lending and Subscription Agreement. The GM Subscription Shares will be issued under the General Mandate.

The maximum number of 87,000,000 GM Subscription Shares represent (i) approximately 13.65% of the existing issued share capital of the Company of 637,395,866 Shares as at the date of this announcement; (ii) approximately 12.01% of the issued share capital of the Company as enlarged by the issue of the GM Subscription Shares; and (iii) approximately 8.41% of the issued share capital of the Company as enlarged by the Placing and the Subscriptions.

SUBSCRIPTION OF NEW CB UNDER SPECIFIC MANDATE

On 27 May 2014, the Company, the First Vendor, and FTS entered into the CB Lending and Subscription Agreement pursuant to which, the First Vendor has conditionally agreed to lend or otherwise make the Convertible Bonds available to FTS at the principal amount of the Convertible Bonds, and FTS may convert the principal amount of the Convertible Bonds or any part thereof into such number of Shares for the purpose of the FT Placing.

The Company shall use its best endeavours to ensure the issuance of the New CB, and FTS shall subscribe for the New CB in accordance with the CB Lending and Subscription Agreement, and the Transfer shall take place immediately after the completion of the CB Subscription.

FTS shall subscribe for the New CB in such principal amount as is equivalent to the aggregate principal amount of the Convertible Bonds being converted into FT Placing Shares for the purpose of the FT Placing to be issued by the Company, and in any event, the principal amount of the New CB shall not exceed HK\$41,850,000, and the terms and conditions of the New CB shall be exactly identical to those of the Convertible Bonds. The New CB under the CB Subscription will be issued under the Specific Mandate.

The subscription price of the New CB, which shall be equivalent to the principal amount of the New CB, shall be settled and discharged by the Gross Placing Proceeds which shall, at completion of the CB Subscription, be remitted to the Company directly. FTS shall, forthwith upon completion of the CB Subscription pursuant to the CB Lending and Subscription Agreement, transfer and/or assign the New CB to the First Vendor free from any consideration and any or all *liens*, charges, security, interests, encumbrances and adverse claims of any kind.

Based on the initial conversion price of HK\$0.135 of the New CB, a maximum number of 310,000,000 New Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the New CB in full, which represent approximately 48.64% of the existing issued share capital of the Company and approximately 32.72% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares, and approximately 23.06% of the issued share capital of the Company as enlarged by the Placing, the Subscriptions and the issue of the New Conversion Shares.

GENERAL

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the GM Subscription Shares and the New Conversion Shares.

The CB Subscription is subject to the Shareholders' approval. The EGM will be convened and held for the purposes of considering and, if thought fit, approving the CB Subscription and granting the Specific Mandate to allot and issue the New Conversion Shares pursuant to the CB Lending and Subscription Agreement. To the best knowledge of the Directors, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the CB Subscription and the Specific Mandate.

A circular containing, among other things, (i) further details of the CB Lending and Subscription Agreement and the CB Subscription; and (ii) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

As the Placing and the Subscriptions are subject to the satisfaction of the respective conditions precedent and may or may not proceed to completion, Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in the Shares has been halted with effect from 9:00 a.m. on 27 May 2014, pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 May 2014.

THE PLACING AGREEMENT

Date

27 May 2014

Parties

Issuer:

The Company

Joint Placing Agents (each of the following a “**Placing Agent**”):

- (i) China Securities (International) Corporate Finance Company Limited (“**CSICF**”)
- (ii) Pacific Foundation Securities Limited (“**PFS**”)
- (iii) FT Securities Limited (“**FTS**”)
- (iv) RHB OSK Securities Hong Kong Limited (“**RHBOSK**”)
- (v) Ping An of China Securities (Hong Kong) Company Limited (“**PACS**”)

The Joint Placing Agents have conditionally agreed to place up to 397,000,000 Placing Shares, on a best effort basis, to the Placees. The Joint Placing Agents are appointed by the Company on an exclusive basis and the Placing Shares shall rank *pari passu* with each other in the Placing.

Pursuant to the Placing Agreement, each Placing Agent and its ultimate beneficial owners are third parties independent of, not connected with and not acting in concert (as defined in the Takeovers Code) with the Company and its connected persons, Directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Company or

any of their respective subsidiaries or associated companies or any of their respective associates (as defined in the Listing Rules). Further, each Placing Agent undertakes that the sub-agent(s) retained or appointed by it and the ultimate beneficial owners of such sub-agent(s) are independent of, not connected with and not acting in concert (as defined in the Takeovers Code) with the Company and its connected persons, Directors, chief executives or substantial Shareholders (as defined in the Listing Rules) of the Company or any of their respective subsidiaries or associated companies or any of their respective associates (as defined in the Listing Rules).

As at the date of this announcement, one of the executive Directors, Mr. Yeung Kwok Leung, is also a director of FTS and the immediate holding company of FTS. Save for the abovementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Joint Placing Agents and their respective ultimate beneficial owners are independent third parties of the Company and its connected persons (as defined in the Listing Rules).

Placing Commission

Each Placing Agent shall be paid a placing commission of 3% of the Gross Placing Proceeds of the Placing Shares placed by him/it under the Placing.

Joint Bookrunners

CSICF and PFS shall be the Joint Book-runners in the Placing, and the placing orders of each Placing Agent shall be submitted to, or made with, CSICF and PFS. CSICF and PFS shall each be paid, in addition to the placing commission, a praecipium in the sum of HK\$1,500,000 (the "**Bookrunner Praecipium**").

CSICF and PFS shall, wherever necessary, whether in relation to any Tranche or the Placing as a whole, jointly have sole, absolute and final right to handle, deal with, decide and/or determine mutually, *inter alia*:

- (a) the final or exact number of Placing Shares to be allocated to each Placing Agent in relation to any Tranche or the Placing as a whole;
- (b) any extension of the Placing Period;
- (c) the exact Last Settlement Date;
- (d) whether it is necessary to revise, amend or supplement the Placing Agreement, and if so, seek the consent of the other Parties thereon; and
- (e) any other matter or issue on the Placing or arising out of the Placing Agreement on which the CSICF and PFS mutually deem fit or appropriate to make the final decision,

(collectively, the "**Final Decisions**") and the Company as well as all the Joint Placing Agents shall follow and act in accordance with all the Final Decisions, and no Party shall have any recourse against one another on or in relation to any Final Decisions whatsoever.

FTS and PFS shall be responsible for allocating the FT Placing Shares and the PF Placing Shares, respectively, and then allocate the Placing Shares to the Placing Agent concerned in accordance with the Final Decisions.

Placees

The Placing Shares are to be placed to not less than six Placees, who and whose ultimate beneficial owners shall be independent third parties to the Company. Each Placing Agent and each of its sub-agent shall use his/its best endeavours to ensure that Placees procured or identified by him/it shall be third parties independent of, not connected with and not acting in concert (as defined in the Takeovers Code) with the Directors, chief executives or substantial Shareholders (as defined in the Listing Rules) of the Company or the Company or any of their respective subsidiaries or associated companies or any of their respective associates (as defined in the Listing Rules), or with one another, and to be an independent institutional investor and/or professional or private investor. Each Placing Agent and each sub-agent shall use its best endeavours to ensure that none of the Placees it identifies or procures shall be, or shall become, any substantial Shareholder (as defined in the Listing Rules) of the Company forthwith upon completion of the Tranche concerned.

Placing Price

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

- (i) a discount of approximately 3.6% to the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 2.6% over the average closing price of HK\$0.78 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The Placing Price was determined after arm's length negotiation between the Company and the Joint Placing Agents with reference to, among others, the prevailing market prices of the Shares.

The Directors consider that the terms of the Placing Agreement (including the Placing Price, the placing commission and the Praecipium) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Assuming all the Placing Shares have been placed, the maximum Gross Placing Proceeds will be approximately HK\$317.6 million and the maximum net proceeds will be approximately HK\$298.9 million (after deduction of the placing commission, the Praecipium, and other related expenses of the Placing). On such basis, the net price will be approximately HK\$0.75 per Placing Share.

The Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 397,000,000 Placing Shares represents (i) approximately 62.28% of the existing issued share

capital of the Company of 637,395,866 Shares as at the date of this announcement; and (ii) approximately 38.38% of the issued share capital of the Company as enlarged by the Placing and the Subscriptions.

Pursuant to the Placing Agreement, the Placing Shares placed in each Tranche shall not be less than 10,000,000 Shares and the total number of Placing Shares placed in the Placing shall not be less than 20,000,000 (the “**Minimum Placing Target**”), and if the Minimum Placing Target cannot be reached, the Company shall not proceed with the Placing, and the Placing Agreement shall be terminated without any recourse against the Company, the First Vendor and Other Vendors and/or the Joint Placing Agents, whatsoever.

The Placing shall be conducted in such manner that all the PF Placing Shares shall be placed first, and the FT Placing Shares shall be placed only after all the PF Placing Shares have been placed.

Ranking

The Placing Shares shall rank *pari passu* in all aspects among themselves and with the existing Shares in issue as at the date of this announcement.

There shall not be any differentiation between the FT Placing Shares and the PF Placing Shares, and the FT Placing Shares and the PF Placing Shares shall rank *pari passu* with one another.

Conditions Precedent

Completion of each Tranche shall be conditional upon the following conditions:

- (a) the First Vendor, the Company and FTS having executed the CB Lending and Subscription Agreement, and the First Vendor having agreed to subscribe the New CB;
- (b) all the Other Vendors and the Company having executed the requisite Stock Lending and Subscription Agreements, and all the Other Vendors having agreed to subscribe the GM Subscription Shares;
- (c) the Company’s compliance with and procurement of the compliance of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for and/or in relation to the Placing (if any);
- (d) the representations and warranties given under the Placing Agreement remaining true and accurate and not misleading;
- (e) the Joint Placing Agents having successfully identified, or having procured, Placee(s) who is/are ready, willing and able to subscribe for not less than 20,000,000 Placing Shares;
- (f) there not having occurred prior to the expiration of the Placing Period any change or development involving a prospective change (whether or not permanent) including, but not limited to, a prospective change in the condition, financial or otherwise, or in the general affairs, management, Shareholders’ equity, earnings, operations or business affairs or in the financial or trading position or prospects of the Group which, in the

absolute opinion of all the Joint Placing Agents, (i) is or is likely to be materially adverse to the business, financial or trading position, condition or prospects of the Group, (ii) has or is likely to have a material adverse effect on or materially impair the Placing or the marketing or distribution of the Placing Shares or dealings in the Placing Shares in the secondary market, and (iii) makes it unfavourable or impracticable to proceed with the Placing in the manner contemplated by the Placing Agreement; and

(g) each Placee having executed an Undertaking.

The terms and conditions of the Placing Agreement are arrived at after arm's length negotiations between the Parties. None of the conditions above can be waived, and all the conditions above shall be fulfilled or satisfied by the Completion Date of the Tranche concerned. In the event that any of the conditions of the Placing Agreement are not fulfilled or satisfied by that juncture, the Company shall not proceed with the placing of the Tranche concerned and shall not complete the same.

Completion

Completion of each Tranche of the Placing will take place on the relevant Settlement Date through CCASS by the Company having, or having procured for, the appropriate number of Placing Shares being deposited into the CCASS account of PFS or FTS (whichever shall be appropriate) for onward distribution of the relevant Placing Shares to the Placees according to their respective entitlements thereto, and all the conditions precedents set out above shall be fulfilled or satisfied by the completion date of each Tranche concerned.

Termination and force majeure

The Placing Agreement and/or the Placing may be terminated at any time by mutual agreement in writing between the parties. In the event that the Placing Agreement is terminated, all the obligations and responsibilities of each party under the Placing Agreement and the Placing shall cease and determine and no party shall have any claim against any other party or parties in respect of any matter arising out of or in connection with the Placing Agreement and/or the Placing except for any antecedent breach of any obligations under the Placing Agreement.

PRINCIPAL TERMS OF THE STOCK LENDING AND SUBSCRIPTION AGREEMENT

Pursuant to the Stock Lending and Subscription Agreement, which is to be entered into between the Company, the Other Vendors, and PFS (as the procuror of the PF Placing), the Other Vendors would conditionally agree to lend or otherwise make available the PF Placing Shares to PFS for the purpose of the PF Placing, and PFS shall be authorised to deal with the PF Placing Shares in such manner in the PF Placing under the Placing as it deems fit and appropriate. The Other Vendors would also undertake to subscribe for up to 87,000,000 GM Subscription Shares as is equivalent to the exact number of PF Placing Shares placed in the PF Placing, and the GM Subscription shall be governed and regulated by the provisions under the Stock Lending and Subscription Agreement. The GM Subscription Shares will be issued under the General Mandate.

The maximum number of 87,000,000 GM Subscription Shares represent (i) approximately 13.65% of the existing issued share capital of the Company of 637,395,866 Shares as at the date of this announcement; (ii) approximately 12.01% of the issued share capital of the Company as enlarged by the issue of the GM Subscription Shares; and (iii) approximately 8.41% of the issued share capital of the Company as enlarged by the Placing and the Subscriptions.

In return for the Stock Lending, the Company shall pay to the Other Vendors an amount as is equivalent to 2% of entire amount of gross proceeds under the PF Placing within 20 days of the GM Subscription Completion Date. Further, the Company shall reimburse all costs and expenses, inclusive of professional fees, *ad valorem* stamp duty and other forms of disbursement incurred by the Other Vendors on or in relation to the Stock Lending and/or the PF Placing, and such reimbursement (if properly invoiced in such manner acceptable to the Company) shall be paid by the Company to the Other Vendors within 20 days of the GM Subscription Completion Date. For any avoidance of doubt, the Other Vendors shall have the Stock Lending, the PF Placing, the GM Subscription completed without incurrance of any costs or expenses by the Other Vendors.

Conditions Precedent of the Stock Lending and Subscription Agreement

Completion of the GM Subscription pursuant to the Stock Lending and Subscription Agreement is conditional upon:

- (a) the Stock Lending having taken place;
- (b) the PF Placing having been completed pursuant to the terms of the Placing Agreement;
- (c) (if necessary) granting of approval by any relevant authority in relation to the issuance and allotment of the GM Subscription Shares; and
- (d) the listing of, and permission to deal in, the GM Subscription Shares having been granted by the Listing Committee of the Stock Exchange (and such listing and permission not being subsequently revoked prior to the delivery of definitive certificates of title representing the GM Subscription Shares).

None of the above conditions can be waived, and the latest time for fulfilment or satisfaction of the above conditions shall be no later than 12:00 noon of the GM Subscription Completion Date.

Completion of the GM Subscription

Completion of the GM Subscription shall take place on the GM Subscription Completion Date, which shall be a Business Day within 10 Business Days of the execution of the Stock Lending and Subscription Agreement (or such later date as the parties thereof may otherwise agree in writing).

The Company will publish further announcement(s) to inform its Shareholders in the event the Stock Lending and Subscription Agreement is entered into by the relevant parties.

THE CB LENDING AND SUBSCRIPTION AGREEMENT

Date

27 May 2014

Parties

- (i) the Company
- (ii) the First Vendor
- (iii) FTS (as the procurer of the FT Placing)

On 27 May 2014, the Company, the First Vendor, and FTS entered into the CB Lending and Subscription Agreement pursuant to which, the First Vendor has conditionally agreed to lend or otherwise make the Convertible Bonds available to FTS at the principal amount of the Convertible Bonds, and FTS may convert the principal amount of the Convertible Bonds or any part thereof into such number of Shares for the purpose of the FT Placing. FTS shall subscribe for the New CB in such principal amount as is equivalent to the aggregate principal amount of the Convertible Bonds being converted into FT Placing Shares for the purpose of the FT Placing, and in any event, the principal amount of the New CB shall not exceed HK\$41,850,000. The New CB under the CB Subscription will be issued under the Specific Mandate.

The Company shall use its best endeavours to ensure the issuance of the New CB, and FTS shall subscribe for the New CB in accordance with the CB Lending and Subscription Agreement, and the Transfer shall take place immediately after the completion of the CB Subscription.

FTS shall subscribe for the New CB in such principal amount as is equivalent to the aggregate principal amount of the Convertible Bonds being converted into FT Placing Shares for the purpose of the FT Placing to be issued by the Company, and in any event, the principal amount of the New CB shall not exceed HK\$41,850,000, and the terms and conditions of the New CB shall be exactly identical to those of the Convertible Bonds. The New CB under the CB Subscription will be issued under the Specific Mandate.

The subscription price of the New CB, which shall be equivalent to the principal amount of the New CB, shall be settled and discharged by the Gross Placing Proceeds which shall, at completion of the CB Subscription, be remitted to the Company directly. FTS shall, forthwith upon completion of the CB Subscription pursuant to the CB Lending and Subscription Agreement, transfer and/or assign the New CB to the First Vendor free from any consideration and any or all *liens*, charges, security, interests, encumbrances and adverse claims of any kind (the “**Transfer**”).

Based on the initial conversion price of HK\$0.135, a maximum number of 310,000,000 New Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the New CB in full, which represent approximately 48.64% of the existing issued share capital of the Company and approximately 32.72% of the issued share capital of

the Company as enlarged by the issue of the New Conversion Shares, and approximately 23.06% of the issued share capital of the Company as enlarged by the Placing, the Subscriptions, and the issue of the New Conversion Shares.

In return for the CB Lending, the Company shall pay to the First Vendor an amount as is equivalent to 1% of entire amount of gross proceeds of the FT Placing within 20 Business Days of the CB Subscription Completion Date. Further, the Company shall reimburse all costs and expenses, inclusive of professional fees, *ad valorem* stamp duty and other forms of disbursement incurred by the First Vendor on or in relation to the CB Lending and/or the FT Placing, and such reimbursement (if properly invoiced in such manner acceptable to the Company) shall be paid by the Company to the First Vendor within 20 Business Days of the CB Subscription Completion Date. For any avoidance of doubt, the First Vendor shall have the CB Lending, the FT Placing, the CB Subscription, the Transfer and the Return completed without incurrance of any costs or expenses by the First Vendor. In addition to the relevant placing commission, FTS shall be paid a praecipium in the sum of HK\$1,000,000 (the “**FT Praecipium**”).

The terms and conditions of the New CB shall be exactly identical to those of the Convertible Bonds as set out in the Bond Instrument, which has been published in the announcement of the Company dated 28 February 2013 and 22 August 2013 and the circular of the Company dated 21 October 2013.

Conditions Precedent of the CB Lending and Subscription Agreement

Completion of the CB Subscription pursuant to the CB Lending and Subscription Agreement is conditional upon:

- (a) the CB Lending having taken place;
- (b) the FT Placing having been completed pursuant to the terms of the Placing Agreement;
- (c) (if required) the Shareholders having passed the necessary resolutions at the EGM of the Company for approval of the Specific Mandate for allotment and issuance of New Conversion Shares upon conversion of the New CB or any principal amount thereof;
- (d) (if necessary) granting of approval by any relevant authority in relation to the issuance of the New CB; and
- (e) the listing of, and permission to deal in, the New Conversion Shares into which New CB may convert having been granted by the Listing Committee of the Stock Exchange (and such listing and permission not being subsequently revoked prior to completion of the CB Subscription).

None of the above conditions can be waived, and the latest time for fulfilment or satisfaction of the above conditions shall be no later than 12:00 noon of the CB Subscription Completion Date.

Completion of the CB Subscription

Completion of the CB Subscription shall take place on the CB Subscription Completion Date, which shall be a Business Day not later than 30 September 2014 (or such later date as the parties thereof may otherwise agree in writing).

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activities in the past twelve months from the date of this announcement:

Date of announcement	Fund raising activities	Net Proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
28 February 2013, 15 March 2013, 22 August 2013, 16 October 2013, 19 December 2013, and 18 February 2014	Placing of convertible bonds in the principal amount of HK\$60.75 million under specific mandate	HK\$58 million	(i) as to approximately HK\$28 million for overhead expenses of the Company; (ii) as to approximately HK\$8 million for repayment of outstanding indebtedness; (iii) as to approximately HK\$12 million for funding the loan financing business of the Company; and (iv) as to approximately HK\$10 million for future investments	Used as intended

Save as disclosed above, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed); but before completion of the FT Placing and the Subscriptions; before completion of the Acquisition (issuance of the consideration shares (the “**Consideration Shares**”) and the consideration CBs (the “**Consideration CBs**”) upon completion of the Acquisition pursuant to the Sale and Purchase Agreement, the exercise of the conversion rights attaching to the Consideration CBs; and the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company; (iii) immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed) and GM Subscription; but before completion of the FT Placing and the SM Subscription; before completion of the Acquisition (issuance of the Consideration Shares and the Consideration CBs), the exercise of the conversion rights attaching to the Consideration CBs; and the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company; (iv) immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed), GM Subscription, FT Placing (assuming the FT Placing Shares being fully placed) and completion of the SM Subscription; but before completion of the Acquisition (issuance of the Consideration Shares and the Consideration CBs), the exercise of the conversion rights attaching to the Consideration CBs; and the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company; (v) immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed), GM Subscription, FT Placing (assuming the FT Placing Shares being fully placed) and SM Subscription; after completion of the Acquisition (issuance of the Consideration Shares and the Consideration CBs) and the exercise of the conversion rights attaching to the Consideration CBs; but before the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company; and (vi) immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed), GM Subscription, FT Placing (assuming the FT Placing Shares being fully placed) and SM Subscription; after completion of the Acquisition (issuance of the Consideration Shares and the Consideration CBs), the exercise of the conversion rights attaching to the Consideration CBs; and the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities of the Company are set out as below:

	(I) As at the date of this announcement	(II) Immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed); but before completion of the FT Placing and the Subscriptions; before completion of the Acquisition (issuance of the Consideration Shares and the exercise of the conversion rights attaching to the Consideration CBs; and the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities	(III) Immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed) and GM Subscription; but before completion of the FT Placing and the Subscriptions; before completion of the Acquisition (issuance of the Consideration Shares and the exercise of the conversion rights attaching to the Consideration CBs; and the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities	(IV) Immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed), GM Subscription, FT Placing (assuming the FT Placing Shares being fully placed) and CB Subscription; after completion of the Acquisition (issuance of the Consideration Shares and the exercise of the conversion rights attaching to the Consideration CBs (Note 5); but before the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities	(V) Immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed), GM Subscription, FT Placing (assuming the FT Placing Shares being fully placed) and CB Subscription; after completion of the Acquisition (issuance of the Consideration Shares and the exercise of the conversion rights attaching to the Consideration CBs (Note 5); and the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities	(VI) Immediately after completion of the PF Placing (assuming the PF Placing Shares being fully placed), GM Subscription, FT Placing (assuming the FT Placing Shares being fully placed) and CB Subscription; after completion of the Acquisition (issuance of the Consideration Shares and the exercise of the conversion rights attaching to the Consideration CBs (Note 5); and the exercise of the conversion rights attached to the remaining Outstanding Convertible Securities						
	<i>No. of Shares</i>	<i>approx. %</i>	<i>No. of Shares</i>	<i>approx. %</i>	<i>No. of Shares</i>	<i>approx. %</i>	<i>No. of Shares</i>	<i>approx. %</i>	<i>No. of Shares</i>	<i>approx. %</i>		
Substantial Shareholder:												
CIAM (Note 1)	—	—	—	—	—	—	755,425,253	27.15%	755,425,253	23.61%		
Other Shareholders:												
Other Vendors	87,000,000	13.65%	—	—	87,000,000	12.01%	87,000,000	3.13%	87,000,000	2.72%		
Placees under the PF Placing	—	—	87,000,000	13.65%	—	—	87,000,000	3.13%	—	—		
Placees under the FT Placing	—	—	—	—	—	—	310,000,000	11.14%	310,000,000	9.69%		
Holder(s) of the New CBs (Note 2)	—	—	—	—	—	—	—	—	310,000,000	9.69%		
Holder(s) of the Outstanding Option	—	—	—	—	—	—	—	—	—	—		
Convertible Bonds (Note 3)	—	—	—	—	—	—	—	—	15,660,000	0.49%		
Holder(s) of the existing CB Options (Note 3)	—	—	—	—	—	—	—	—	78,300,000	2.45%		
Holder(s) of the share options (Note 4)	—	—	—	—	—	—	—	—	13,053,600	0.41%		
Other public Shareholders	550,395,866	86.35%	550,395,866	75.98%	550,395,866	75.98%	550,395,866	55.45%	1,543,095,624	48.22%		
Total	637,395,866	100.00%	637,395,866	100.00%	724,395,866	100.00%	1,034,395,866	100.00%	2,782,520,877	100.00%	3,199,534,477	100.00%

Notes:

- (1) These Shares comprise (i) 73,462,878 consideration shares to be issued to CIAM upon completion of the Acquisition and (ii) 681,962,375 conversion shares to be allotted and issued to CIAM, upon the exercise of the conversion rights attaching to the convertible bonds to be issued to CIAM upon completion pursuant to Sale and Purchase Agreement. According to the annual report of the Company for the year ended 31 December 2013, CIAM is owned as to 40% by CITIC International Financial Holdings Limited, which is owned as to 70.32% by China CITIC Bank Corporation Limited, which is owned as to 66.95% by CITIC Limited, which is wholly-owned by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the consideration Shares and the conversion Shares held by CIAM.
- (2) Upon full conversion of the New CB, the New CB in the principal amount of HK\$ 41,850,000 will be converted into a maximum of 310,000,000 New Conversion Shares.
- (3) References are 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 CB Options, which allows the holders thereof to subscribe for convertible bonds of the Company in an aggregate principal amount of up to HK\$15,660,000 (the “**Possible CBs**”) that are convertible into 87,000,000 new Shares at the initial conversion price of HK\$0.18 (the “**CB Options**”).

References are made to the announcements of the Company dated 31 December 2013 and 25 February 2014 in relation to, among other things, the First Adjustment (as defined below) and the Second Adjustment (as defined below), respectively.

The initial conversion price of the existing convertible bonds resulting from the exercised CB Options (“**Outstanding Option Convertible Bonds**”) and the Possible CBs to be subscribed upon exercise of the CB Options, has been adjusted from HK\$0.18 to HK\$0.14 per conversion Share (“**First Adjustment**”) with effect from 19 December 2013. Upon the First Adjustment, the conversion price of the Option Convertible Bonds and the Possible CBs to be subscribed upon exercise of the CB Options, has been further adjusted from HK\$0.14 to HK\$0.10 per conversion Share (“**Second Adjustment**”) with effect from 17 February 2014.

As at the date of announcement, 50 out of the 100 CB Options had been exercised to subscribe for convertible bonds of the Company in the principal amount of HK\$7,830,000 out of which 40 CB Options had been exercised and converted into 59,856,000 Shares. There are Outstanding Option Convertible Bonds in the principal amount of HK\$ 1,566,000, which is convertible into 15,660,000 Shares.

As at the date of announcement, based on the adjusted conversion price of HK\$0.10, the remaining Possible CBs are convertible into 78,300,000 new shares upon full exercise of the conversion rights thereof.

- (4) The share options refer to the outstanding share options under a share option scheme of the Company approved on 22 May 2008.
- (5) These include 170,000,000 Consideration Shares and Consideration CBs in the aggregate principal amount of HK\$1,262,500,010 to be issued to the vendors of the Acquisition, including CIAM, upon completion of the Acquisition pursuant to the Sale and Purchase Agreement.

REASONS FOR THE PLACING AND THE SUBSCRIPTIONS 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 and the Subscriptions can provide the Company the financial resources for the Acquisition, strengthen the financial position of the Group, and provide working capital and additional resources to the Group for future business development. The Placing also represents a good opportunity to broaden the shareholders' base of the Company. The Directors consider that the Placing is in the interest of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Placing will be approximately HK\$317.6 million. The maximum net proceeds, after deducting the placing commission, the Praecipium and other related expenses, are estimated to be approximately HK\$298.9 million, representing a net price of approximately HK\$0.75 per Placing Share. The Company intends to apply the net proceeds from the Placing in the following manner: as to (i) HK\$33.1 million for settling the cash portion of the consideration of the Acquisition, and (ii) the remaining balance of approximately HK\$265.8 million for general working capital of Weldtech Technology Co. Limited assuming and upon completion of the Acquisition, and other fees and expenses in connection with the Acquisition.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement, the Stock Lending and Subscription Agreement and the CB Lending and the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Joint Placing Agents, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the GM Subscription Shares and the New Conversion Shares.

The CB Subscription is subject to the Shareholders' approval. The EGM will be convened and held for the purposes of considering and, if thought fit, approving the CB Subscription and granting the Specific Mandate to allot and issue the New Conversion Shares upon the conversion of the New CB pursuant to the CB Lending and Subscription Agreement. To the best knowledge of the Directors, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the CB Subscription and the Specific Mandate.

A circular containing, among other things, (i) further details of the CB Lending and Subscription Agreement and the CB Subscription; and (ii) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

As the Placing and the Subscriptions are subject to the satisfaction of the respective conditions precedent and may or may not proceed to completion, Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in the Shares has been halted with effect from 9:00 a.m. on 27 May 2014, pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 May 2014.

DEFINITIONS

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

“Acquisition”	the acquisition of the Shares in the share capital of Weldtech Technology Co., Limited pursuant to the Sale and Purchase Agreement, details of which are set out in the announcement of the Company dated 6 December 2013 and the circular of the Company dated 11 April 2014
“Board”	the board of Directors
“Bond Instrument”	the instrument constituting the Convertible Bonds, executed by the Company in the form of a deed on 19 December 2013
“Business Day(s)”	any day (excluding Saturday and Sunday) on which licensed banks in Hong Kong are generally open for business
“CB Lending”	the First Vendor agrees to lend or otherwise make the Convertible Bonds available to FTS, and FTS may convert the principal amount of the Convertible Bonds or any part thereof into such number of Shares for the purpose of the FT Placing free from any interference, intervention, control, supervision, restriction, restraint or checking of or by the First Vendor
“CB Lending and Subscription Agreement”	the agreement in such format and content as set out in the Placing Agreement to be executed by the First Vendor, the Company and FTS
“CB Subscription”	the subscription of the New CB, of which the terms and conditions of the New CB shall be exactly identical to those of the Convertible Bonds
“CB Subscription Completion Date”	The business day on which completion of the CB Subscription shall take place (being a day (excluding Saturday) on which banks are generally open for business in Hong Kong) on which, or immediately after, all conditions of the CB Subscription have been fulfilled or satisfied

“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	the completion of any Tranche in the Placing where events as contemplated in the Placing Agreement
“Completion Date”	the date of completion of any Tranche in the Placing pursuant to the Placing Agreement
“Convertible Bonds”	the existing convertible bonds in the principal amount of HK\$41,850,000 issued by the Company and created under and pursuant to the Bond Instrument of which upon full conversion, will be converted into 310,000,000 new Shares to be allotted and issued by the Company at the conversion price of HK\$0.135 per share
“CSICF”	China Securities (International) Corporate Finance Company Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Placing Agreement and the transactions contemplated thereunder
“First Vendor”	Sina Winner Investment Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8089), the holder of the Convertible Bonds
“FT Placing”	the placing of the FT Placing Shares to be procured by FTS pursuant to the Placing Agreement and the CB Lending and Subscription Agreement, in which the Joint Placing Agents are being appointed on an exclusive basis to place, on a best effort basis, up to 310,000,000 Shares to places under and in accordance with the Placing Agreement, which is part and parcel of the Placing under and as contemplated in the Placing Agreement

“FT Placing Shares”	up to 310,000,000 Shares to be procured by FTS from the First Vendor to offer or otherwise make available for the FT Placing
“FTS”	FT Securities Limited, a licensed corporation to carry on business in 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)
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 21 June 2013 to allot, issue and deal with up to 87,029,773 new Shares, being 20% of the then issued capital of the Company as at the date of the said annual general meeting
“GM Subscription”	the subscription of 87,000,000 new Shares by the Other Vendors pursuant to the Stock Lending and Subscription Agreement, and to be allotted and issued by the Company under the General Mandate
“GM Subscription Completion Date”	the business day on which completion of the GM Subscription shall take place (being a day (excluding Saturday) on which banks are generally open for business in Hong Kong) on which, or immediately after, all conditions of the GM Subscription have been fulfilled or satisfied
“GM Subscription Shares”	up to 87,000,000 Shares to be allotted and issued by the Company which is agreed to be subscribed by Other Vendors
“Gross Placing Proceeds”	the aggregate of the gross proceeds of the placing of FTS Shares and the gross proceeds of the placing of PFS Shares in the Placing, and the gross proceeds of the placing of FTS Shares and/or the gross proceeds of the placing of PFS Shares in the Placing shall be such an amount in aggregate in Hong Kong dollars equivalent to the Placing Price multiplied by the number of the FTS Shares or PFS Shares placed by each Joint Placing Agents (whether by itself direct or through its sub-Agent(s))
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Book-Runners”	CSICF and PFS

“Joint Placing Agents”	CSICF, PFS, FTS, RHBOSK and PACS
“Last Settlement Date”	means the last and the latest possible Settlement Date, which shall not be later than 5:00 p.m. on 18 June 2014 (or such other date and time as the Parties may mutually agree in writing) pursuant to the Placing Agreement
“Last Trading Day”	26 May 2014, being the last trading day prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New CB”	a new convertible bond in such principal amount as is equivalent to the aggregate principal amount of the convertible bonds being converted into FT Placing Shares for the purpose of the FT Placing to be issued by the Company, and in any event, its principal amount shall not exceed HK\$41,850,000
“New Conversion Shares”	310,000,000 Shares to be allotted and issued upon exercise of the conversion rights attaching to the New CB
“Other Vendors”	a group of Shareholders to be procured by PFS, which can, among them, offer or otherwise make available 87,000,000 Shares to participate in the Placing and such other transactions contemplated in and under the Placing Agreement
“Outstanding Convertible Securities”	the New CBs, the Outstanding Option Convertible Bonds, the existing CB Options, the Possible CBs, and the share options of the Company
“PACS”	Ping An of China Securities (Hong Kong) Company Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Parties” or “Party”	parties to the Placing Agreement, each a Party
“PF Placing”	the placing of the PF Placing Shares to be procured by PFS pursuant to the Placing Agreement and the Stock Lending and Subscription Agreement, in which the Joint Placing Agents are being appointed on an exclusive basis to place, on a best effort basis, up to 87,000,000 Shares to places under and in accordance with the Placing Agreement, which is part and parcel of the Placing under and as contemplated in the Placing Agreement

“PF Placing Shares”	up to 87,000,000 Shares to be procured by PFS from the Other Vendors to offer or otherwise make available for the PF Placing
“PFS”	Pacific Foundation Securities Limited, a corporation licensed and authorised by the SFC (as defined below) to carry out Regulated Activities types 1 (dealing in securities) and 9 (asset management) as set out and defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placee(s)”	any individuals, corporate, institutional or other investor(s) procured by or on behalf of the Joint Placing Agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of up to 397,000,000 new Shares pursuant to the terms of the Placing Agreement, including the FT Placing and the PF Placing
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Joint Placing Agents dated 27 May 2014 in relation to the Placing
“Placing Period”	means the period commencing forthwith upon the later of (i) the execution of the Placing Agreement and (ii) the juncture when all Stock Lending and Subscription Agreements are executed, and ending at 5:00 p.m. 16 June 2014, unless being terminated earlier in writing pursuant to the terms of the Placing Agreement
“Placing Price”	HK\$0.8 per Placing Share
“Placing Share(s)”	the FT Placing Shares and the PF Placing Shares
“Praecipium”	the Bookrunner Praecipium and the FT Praecipium
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Return”	the return of the principal amount of the Convertible Bonds, which has not been converted into FT Placing Shares, to the First Vendor free from all <i>liens</i> , charges, security interests, encumbrances and adverse claims of any kind by close of business on 18 June 2014 (or such later date and time as the parties may otherwise agree in writing), as undertaken by the Company and FTS jointly and severally pursuant to the CB Lending and Subscription Agreement

“RH BOSK”	RHB OSK Securities Hong Kong Limited, a licensed corporation to carry on business in 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)
“Sale and Purchase Agreement”	the sale and purchase agreement in relation to the Acquisition entered into among the Company and the parties named therein date 31 October 2013
“Settlement Date”	the date of settlement of the Gross Placing Proceeds of each Tranche, which shall be within 2 Business Days after the completion date of each Tranche pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to allot and issue the New CB to be sought from the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Lending”	the Other Vendors agree to lend or otherwise make available number of Shares equivalent to the number of new Shares to PFS for the purpose of the PF Placing, and the PFS shall be authorized to deal with such Shares in such manner in the PF Placing as it deems fit and appropriate. The Other Vendors are the sole legal and beneficial owners of such Shares, which are free from any or all <i>liens</i> , charges, security interests, encumbrances and adverse claims of any kind
“Stock Lending and Subscription Agreement”	the agreement in such format and content as set out in the Placing Agreement to be executed by each of the Other Vendors and the Company
“Subscription Price”	HK\$0.8, being the subscription price of each of the GM Subscription Shares, equivalent to the placing price per PF Placing Share
“Subscriptions”	the GM Subscription and the CB Subscription
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs published by the SFC (as amended, supplemented or otherwise modified from time to time)
“Tranche”	means each tranche in the Placing, and not less than 10,000,000 Shares shall be placed in each tranche

“Undertaking”

means the acknowledgement and undertaking to be executed and given by each Placee confirming its/his agreement to subscribe for the relevant number of Placing Shares (which shall be 10,000,000 or any multiple thereof) and undertaking that he/it shall not be, and shall not become, any substantial Shareholder (as defined in the Listing Rules) of the Company forthwith upon Completion

“%”

per cent.

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

Hong Kong, 27 May 2014

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, J.P. 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.