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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)**

### **INSIDE INFORMATION**

#### **(1) MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE ACQUISITION (2) POTENTIAL FUND RAISING EXERCISE**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong).

The Company is pleased to announce that on 20 May 2015 (after trading hours), the Company entered into the non-legally binding MOU with the Vendors in relation to the Possible Acquisition. Pursuant to the MOU, the Company intends to purchase and the Vendors intend to sell the entire interest in the Target Projects held by the Target Company.

Separately, the Company is in discussions regarding a potential fund raising exercise by way of issuance of new Shares and/or convertible securities. As at the date of this announcement, no detailed terms have been concluded and no legally binding agreement has been entered into with any party for the Potential Fund Raising Exercise.

**As the Possible Acquisition and the Potential Fund Raising Exercise may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Company is pleased to announce that on 20 May 2015 (after trading hours), the Company entered into the non-legally binding MOU with the Vendors in relation to the Possible Acquisition.

Pursuant to the MOU, the Company intends to purchase and the Vendors intend to sell the entire interest in the Target Projects.

## **THE MOU**

The principal terms of the MOU are set out below:

### **Date**

20 May 2015 (after trading hours)

### **Parties**

Vendors: the shareholders of the Target Company as at the date of this announcement, which owns the Target Projects

Purchaser: the Company

(collectively, the “**Parties**”)

### **Consideration**

The amount and payment of the Consideration is subject to further negotiation and determination among the Parties, and the terms of the formal agreement to be entered into among the Parties (if any).

The Consideration of the Possible Acquisition payable by the Company will be settled by the issue of the Consideration Shares to the Target Company and/or the Vendors, provided that they, together with the parties acting in concert with them, are not, and shall not immediately after completion of the Possible Acquisition be, entitled to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at any general meeting of the Company.

### **Due diligence**

The Parties agree that the Company, the representatives and advisors authorized by the Company shall be entitled to conduct a due diligence review on, among others, the financial, legal and valuation aspects of the Target Projects (the “**DD Review**”) and the Target Company shall provide all possible and reasonable assistance to the relevant DD Review.

### **Exclusivity**

Pursuant to the MOU, the Vendors have granted a six-month exclusive negotiation period (hereinafter referred to as “**Exclusive Negotiation Period**”), during which, the Vendors shall not, directly or indirectly, whether by themselves or through any of their associates or the directors, officers, employees, other shareholders, agents or representatives of the Vendors and/or their associated companies, discuss, negotiate or enter into any contract, agreement or memorandum of understanding with or give any undertaking in favour of any third party which may result in frustrating or impeding the furtherance of the transactions contemplated under the MOU.

### **Other terms**

The MOU shall remain in effect for a term of one year from the date of the MOU. If no formal agreement in relation to the Possible Acquisition is entered into among the Company and the Vendors within one year, the MOU shall be terminated and cease to have effect.

Save for the provisions in relation to confidentiality, exclusivity, expenses and governing laws contained in the MOU, the MOU is not legally binding.

## **INFORMATION ON THE TARGET PROJECTS**

The Target Projects are two electricity generation projects which utilize exhaust heat for generation of electricity in the PRC. The two projects are located in Jiangxi province (the “**Jiangxi Project**”) and Shanxi province (the “**Shanxi Project**”), respectively. The Target Projects are owned by the Target Company as at the date of this announcement.

### **The Jiangxi Project**

The Jiangxi Project has commenced production of electricity. The total investment amount of the Jiangxi Project was approximately RMB109 million, with a contract term of 6 years. The parties under the contract for the Jiangxi Project are currently negotiating to extend the contract term from 6 years to 10 years. The designed energy saving of Jiangxi Project is approximately 48,000 tons of coal equivalent.

### **The Shanxi Project**

The Shanxi Project is expected to begin operation in the second half year of 2015. The total investment amount of the Shanxi Project was approximately RMB66 million, with a contract term of 10 years. The Shanxi Project utilizes exhaust heat in its power generation, which would satisfy 90% of contract parties’ electricity consumption, and the remaining capacity would be sold to the electricity grid of the PRC. The designed energy saving of the Shanxi Project is approximately 26,000 tons of coal equivalent.

According to the contracts of the Target Projects, total revenue of the Jiangxi Project would reach RMB238 million over the contract term of 6 years, and the total revenue of the Shanxi Project would amount to approximately RMB285 million over the contract term of 10 years. The estimated aggregate EBITDA of the Target Projects for 2015 and 2016 is RMB85 million.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company incorporated in the PRC with limited liability and is the owner of the Target Projects as at the date of this announcement.

The Target Company was established in March 2011, and is a registered energy saving company with the National Development and Reform Commission\* (中華人民共和國國家發展和改革委員會). It was involved in research and drafting of the national measures policy No. [2010] 25 titled “Development and opinion in relation to accelerating the implementation of energy management contract for energy services industry\*”, and was on the committee of the ESCO Committee of China Energy Conservation Association (中國節能服務產業委員會). The Target Company was also part of the editor team for a book titled “Energy Management Contract\*”.

The Target Company has also been named, among others, as an outstanding enterprise in the energy service industry and an outstanding brand in the PRC. The Target Company ranks the 14th on the list of energy saving companies by the China Industrial Energy Efficiency and Clean Energy National Association\* (中國工業節能與清潔協會全國節能服務公司百強榜).

The Target Company focuses on the utilization of exhaust heat electricity co-generation by energy management contracts. The Target Company’s aim is to provide enterprises a comprehensive solution in energy saving by combining technology, capital and services.

## **REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION**

It has been the business strategy of the Group to proactively seek potential investment opportunities that could enhance the value and provide returns to the Shareholders. Accordingly, the Company has identified the Target Projects. The Directors are of the view that the entering into the MOU and the proceeding with the Possible Acquisition are in the interests of the Company and the Shareholders as a whole.

## **POTENTIAL FUND RAISING EXERCISE**

Separately, the Company is in discussions regarding a potential fund raising exercise by way of issuance of new Shares and/or convertible securities (the “**Potential Fund Raising Exercise**”). As at the date of this announcement, no detailed terms have been concluded and no legally binding agreement has been entered into with any party for the Potential Fund Raising Exercise. Further announcement(s) in respect of the above will be made by the Company in compliance with the Listing Rules as and when appropriate.

## GENERAL

**The Company wishes to emphasize that the Possible Acquisition may or may not materialize.** If the Possible Acquisition materializes, it may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules, and further announcement(s) would be made by the Company in accordance with all applicable requirements under the Listing Rules. The Company would comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules where appropriate.

Shareholders and potential investors should note that the MOU is not legally binding and the Possible Acquisition is subject to, among other things, further negotiations among the parties and may deviate from the provisions set out in the MOU. **Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

In addition, Shareholders and potential investors should note that the Potential Fund Raising Exercise is still under discussions and may or may not proceed. **Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Stock Exchange
“Consideration”	the consideration payable by the Company to the Target Company and/or the Vendors in respect of the Possible Acquisition

“Consideration Shares”	the new Shares to be issued and allotted to the Target Company and/or the Vendors in settlement of the Consideration
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 20 May 2015 entered into among the Company and the Vendors in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition of the entire interest in the Target Projects pursuant to the MOU
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission

“Target Company”	上海中際能源科技有限公司 (Shanghai Zhongji Energy Technology Company Limited*)
“Target Projects”	the two electricity generation projects which utilize exhaust heat for generation of electricity in the PRC and owned by the Target Company
“Vendors”	the shareholders of the Target Company

By Order of the Board  
**The Hong Kong Building and Loan Agency Limited**  
**Diana Liu He**  
*Executive Director*

Hong Kong, 20 May 2015

*As at the date hereof, the board of directors of the Company comprises Mr. So Yuen Chun, Ms. Diana Liu He, Dr. Li Ai Guo and Mr. Cai Wen Wei being executive Directors; Mr. Lam Kwok Hing, Wilfred and Mr. Huang Lizhi being non-executive Directors; and Mr. Yeung Wai Hung, Peter, Ms. Yuen Wai Man and Mrs. Chu Ho Miu Hing being independent non-executive Directors.*

\* *for identification purposes only*