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The Hong Kong Building and Loan Agency Limited

香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

**PLACING OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE
AND
TOP-UP PLACING AND SUBSCRIPTION
UNDER GENERAL MANDATE**

Placing Agent

Convoy Investment Services Limited

康宏証券投資服務有限公司

PLACING OF CONVERTIBLE BONDS

On 2 June 2015, the Company and the Placing Agent entered into the CB Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place, on a best-effort basis, the Placing CB in the principal amount of up to HK\$60,000,000 to not less than six placees who and whose ultimate beneficial owners will be third parties independent of and not connected with the Company and its connected persons and the Company has conditionally agreed to issue the Placing CB. The Placing CB will be issued under the General Mandate.

The placing price for the Placing CB shall be up to HK\$60,000,000 (being 100% of the principal amount of the Placing CB). No Placing CB shall be issued after the CB Placing Long Stop Date.

Based on the initial Conversion Price of HK\$0.89 per Conversion Share, a maximum of 67,415,730 new Shares will be allotted and issued upon exercise of the Placing CB, representing (i) approximately 5.00% of the existing issued share capital of the Company; and (ii) approximately 4.76% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

As the Placing CB under the CB Placing will be issued under the General Mandate, no Shareholders' approval is required for the CB Placing.

THE TOP-UP PLACING AND SUBSCRIPTION

On 2 June 2015 (after trading hours of the Stock Exchange), the Company entered into the Placing and Subscription Agreement with CIAM and the Placing Agent pursuant to which (i) CIAM has agreed to place, through the Placing Agent, on a best-effort basis, an aggregate of up to 100,000,000 Top-up Placing Shares, to not less than six Placees who and whose ultimate beneficial owners will be third parties independent of and not connected with the Company and its connected persons, at the Top-up Placing Price of HK\$0.89 per Top-up Placing Share; and (ii) CIAM has agreed to subscribe for up to 100,000,000 Top-up Subscription Shares at the Top-up Subscription Price of HK\$0.89 per Top-up Subscription Share.

The 100,000,000 Top-up Subscription Shares represents (i) approximately 7.42% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.91% of the issued share capital of the Company as enlarged by the issue and allotment of the Top-up Subscription Shares.

As the Top-up Subscription Shares under the Top-up Subscription will be issued and allotted under the General Mandate, no Shareholders' approval is required for the Top-up Subscription.

As completion of the CB Placing and the Top-up Placing and Subscription is subject to fulfilment of the conditions as set out in the CB Placing Agreement and the the Placing and Subscription Agreement respectively, and as the Placing Agent is entitled to terminate the CB Placing Agreement and the Placing and the Subscription Agreement under certain circumstances, the CB Placing and/or Top-up Placing and Subscription may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

PLACING OF CONVERTIBLE BONDS

The CB Placing Agreement

Date

2 June 2015

Parties

- (i) the Company
- (ii) the Placing Agent

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its associates and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

On 2 June 2015, the Company and the Placing Agent entered into the CB Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place, on a best-effort basis, the Placing CB in the principal amount of up to HK\$60,000,000 to not less than six placees who and whose ultimate beneficial owners will be third parties independent of and not connected with the Company and its connected persons and the Company has conditionally agreed to issue the Placing CB. The Placing CB will be issued under the General Mandate.

The placing price for the Placing CB shall be up to HK\$60,000,000 (being 100% of the principal amount of the Placing CB). No Placing CB shall be issued after the CB Placing Long Stop Date.

The placees of the Placing CB (and their respective ultimate beneficial owners) shall be third parties independent of and not connected with the Company and its connected persons. It is not expected that any placee will become a substantial shareholder of the Company as a result of the Placing CB subscribed by it on a fully converted basis as at the CB Placing Completion Date.

The Placing Agent shall receive a placing commission of 3.0% of the aggregate principal amount (i.e. the placing price) of the Placing CB successfully placed by the Placing Agent. The Directors (including the independent non-executive Directors) are of the view that such placing commission is fair and reasonable, taking into account the current market condition.

Principal Terms of the Placing CB

The terms of the Placing CB have been negotiated on an arm's length basis, principal terms of which are summarised as follows:

Issuer: The Company

Principal Amount: Up to HK\$60,000,000

Maturity Date: The second anniversary of the Issue Date ("**Maturity Date**")

Unless previously redeemed or converted or purchased and cancelled, the Company shall redeem the Placing CB which remains outstanding by 4:00 p.m. on the Maturity Date at 100% of the principal amount and pay to the bondholder interest accrued thereon.

All Placing CB which are redeemed or converted, or purchased by the Company or any of its subsidiaries, will forthwith be cancelled. Certificates in respect of all Placing CB cancelled will be forwarded to or to the order of the Company and such Placing CB (and any Placing CB purchased by any subsidiary) may not be reissued or resold.

Early Redemption Option: At any time following the first anniversary of the relevant Issue Date, the bondholder has the right (the "**Early Redemption Option**") by serving the Company with a written notice to require the Company to redeem all or part of the Placing CB held by such bondholder for the sum of (i) 100% of the outstanding principal amount of the Placing CB and (ii) all accrued and unpaid interest.

Interest: The Placing CB shall bear interest at the rate of 6% per annum on the outstanding principal amount thereof.

Status of Placing CB: The Placing CB constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and will at all times rank pari passu and without any preference among themselves.

- Conversion Price: HK\$0.89 per Conversion Share (subject to adjustments).
- Conversion Shares: Up to a maximum of 67,415,730 new Shares (subject to adjustments of the Conversion Price), representing approximately 5.00% of the issued share capital of the Company as at the date of this announcement and approximately 4.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.
- Transferability: The Placing CB will be freely transferable and shall be transferable in whole or in multiples of HK\$1,000,000, provided that save with the consent of the Stock Exchange, none of the Placing CB may be transferred to a connected person.
- Conversion: Holder(s) of the Placing CB shall have the right at any time from the day immediately following the expiry of 3 months after the date of issue of the Placing CB to 4:00 p.m. (Hong Kong time) on the Maturity Date to convert in whole or in part the outstanding principal amount of the Placing CB in whole or in integral multiples of HK\$1,000,000 into Conversion Shares; provided that no Placing CB may be converted, to the extent that following such exercise (a) the minimum 25% public float requirement of the Company as required under the Listing Rules cannot be satisfied; or (b) the conversion of the Placing CB would trigger a mandatory general offer for all issued shares of the Company under the Takeovers Code on the part of the bondholder and its party(ies) acting in concert.
- Adjustments to Conversion Price: The Conversion Price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidation or reclassification of Shares, capitalisation issues, rights issues and other dilutive event in such manner in accordance with the terms and conditions of the Placing CB. Each adjustment made pursuant to the adjustment event(s) would be certified by auditors of the Company, independent reputable accounting firms, merchant banks or other reputable financial institutions appointed by the Company.

Voting rights:	Holder(s) of the Placing CB shall not be entitled to attend or vote at any general meeting of the Company.
Listing:	The Placing CB will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Covenants relating to conversion:	Subject to certain qualifications and exceptions, save with the approval by an ordinary resolution of the bondholders of the Placing CB (i.e. a resolution passed at a meeting of bondholders of the Placing CB by a majority consisting of not less than half of the votes cast) (the “ Bondholder Ordinary Resolution ”), so long as any conversion right of the Placing CB remains outstanding, there will be certain limitations to the Company’s ability to, amongst others, issue Shares, modify rights attaching to the Shares with respect to voting, dividends or liquidation, and to reduce issued share capital, share premium account, contributed surplus or capital redemption reserve of the Company.

The Conversion Price

The initial Conversion Price is HK\$0.89 per Share. The Conversion Price was determined after arm’s length negotiations between the Company and the Placing Agent with reference to the market condition and the prevailing market price of the Shares. The Directors consider that the Conversion Price is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent of the CB Placing Agreement

Completion of the CB Placing pursuant to the CB Placing Agreement is conditional upon:

- (i) the granting of approval by the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in the Conversion Shares (either unconditionally or subject to conditions which are acceptable to the Company and the Placing Agent);
- (ii) all necessary approvals and consents by government, regulatory authorities (including but not limited to the Stock Exchange and the SFC) and any other party in respect of the CB Placing Agreement and the transactions contemplated thereunder having been obtained;
- (iii) in relation to the transactions contemplated under the CB Placing Agreement, all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied;
- (iv) execution of the instrument constituting the Placing CB; and
- (v) no representation, warranty or undertaking under the CB Placing Agreement having been breached in any material respect by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the CB Placing Completion Date.

All of the above conditions may not be waived.

If the conditions to the CB Placing have not been fulfilled by the CB Placing Long Stop Date, the CB Placing Agreement shall lapse and become null and void, whereupon all rights, obligations and liabilities of the parties thereto in relation to the CB Placing shall cease and determine and none of and liabilities the parties shall have any claim against the other in respect of the Placing, save for any liability arising out of any antecedent breaches of the CB Placing Agreement.

Termination

The Placing Agent may terminate the CB Placing Agreement by notice in writing to the Company at any time on or before 10:00 a.m. (Hong Kong time) on the CB Placing Completion Date in any of the following cases:

- (1) there shall have been, since the date of the CB Placing Agreement, such a change in national or international financial, political or economic conditions or taxation or exchange controls as would, in the opinion of the Placing Agent, be likely to prejudice materially the consummation of the CB Placing; or
- (ii) any breach of any of the representations and warranties set out in the CB Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the CB Placing Agreement and prior to the CB Placing Completion Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provisions of the CB Placing Agreement; or
- (iii) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances.

As the CB Placing is subject to the satisfaction of certain conditions precedent and as the Placing Agent is entitled to terminate the CB Placing Agreement under certain circumstances, the CB Placing may or may not proceed, Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.

Completion of the CB Placing

Completion of the CB Placing shall take place on the CB Placing Completion Date, which shall be a Business Day on or before the CB Placing Long Stop Date.

CONVERSION PRICE

The initial Conversion Price of HK\$0.89 per Conversion Share represents:

- (i) a discount of approximately 16.0% to the closing price of HK\$1.060 per Share as quoted on the Stock Exchange on the date of the CB Placing Agreement;
- (ii) a discount of approximately 16.0% to the closing price of HK\$1.060 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 18.8% to the average closing price of HK\$1.096 per Share as quoted on the Stock Exchange for the last five consecutive Trading Days up to and including the date of the CB Placing Agreement; and
- (iv) a discount of approximately 16.1% to the average closing price of HK\$1.061 per Share as quoted on the Stock Exchange for the last 10 consecutive Trading Days up to and including the date of the CB Placing Agreement.

THE TOP-UP PLACING AND SUBSCRIPTION

On 2 June 2015 (after trading hours of the Stock Exchange), the Company entered into the Placing and Subscription Agreement with CIAM and the Placing Agent pursuant to which (i) CIAM (holder of 102,552,205 Shares, representing approximately 7.61% of the existing issued share capital of the Company as at the date of this announcement) has agreed to place, through the Placing Agent, on a best-effort basis, an aggregate of up to 100,000,000 Top-up Placing Shares, to not less than six Placees who and whose ultimate beneficial owners will be third parties independent of and not connected with the Company and its connected persons, at the Top-up Placing Price of HK\$0.89 per Top-up Placing Share; and (ii) CIAM has agreed to subscribe for up to 100,000,000 Top-up Subscription Shares at the Top-up Subscription Price of HK\$0.89 per Top-up Subscription Share.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

2 June 2015

Parties

- (i) CIAM, as vendor of the Top-up Placing Shares and subscriber of the Top-up Subscription Shares;
- (ii) the Company, as the issuer of the Top-up Subscription Shares; and
- (iii) Convoy, as the Placing Agent for the placing of Top-up Placing Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its associates and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

The Top-up Placing

Pursuant to the Placing and Subscription Agreement, the Placing Agent has agreed to act as the placing agent for the placing of an aggregate of up to 100,000,000 Top-up Placing Shares at the Top-up Placing Price of HK\$0.89 per Top-up Placing Share on a best-effort basis. The Placing Agent shall receive a placing commission of 3.0% of the aggregate amount equal to the Top-up Placing Price multiplied by the actual number of the Top-up Placing Shares being placed by the Placing Agent. The Directors (including the independent non-executive Directors) are of the view that such placing commission is fair and reasonable, taking into account the current market condition.

Placees

The Placing Agent has agreed to place, on a best-effort basis, the Top-up Placing Shares to not less than six Placees, who will be professional, institutional or other investors. The Placees (and their respective ultimate beneficial owners) shall be third parties independent of and not connected with the Company and its connected persons or CIAM.

It is not expected that any individual Placee will become a substantial shareholder of the Company upon the completion of the Top-up Placing. If any of the Placees becomes a substantial shareholder of the Company after completion of the Top-up Placing, further announcement will be made by the Company as and when appropriate in accordance with the Listing Rules.

Number of the Top-up Placing Shares

The 100,000,000 Top-up Placing Shares held by CIAM represent approximately 7.42% of the existing issued share capital of the Company as at the date of this announcement.

Top-up Placing Price

The Top-up Placing Price of HK\$0.89 per Placing Share represents:

- (i) a discount of approximately 16.0% to the closing price of HK\$1.060 per Share as quoted on the Stock Exchange on the date of the Placing and Subscription Agreement;
- (ii) a discount of approximately 16.0% to the closing price of HK\$1.060 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 18.8% to the average closing price of HK\$1.096 per Share as quoted on the Stock Exchange for the last five consecutive Trading Days up to and including the date of the Placing and Subscription Agreement; and
- (iv) a discount of approximately 16.1% to the average closing price of HK\$1.061 per Share as quoted on the Stock Exchange for the last 10 consecutive Trading Days up to and including the date of the Placing and Subscription Agreement.

The Top-up Placing Price is the same as the Top-up Subscription Price.

The net Top-up Placing Price, after taking into account the placing commission and the estimated expenses of the Top-up Placing, is approximately HK\$0.85 per Top-up Placing Share.

The Top-up Placing Price was arrived at after arm's length negotiations between CIAM, the Company and the Placing Agent with reference to the market condition and the prevailing market price of the Shares.

Rights of the Top-up Placing Shares

The Top-up Placing Shares will be sold free and clear from all liens, charges, encumbrances, claims, options and third party rights and with all rights attaching thereto as at the Placing Completion Date, including the right to receive all dividends and other distributions declared, made or paid in respect of the Top-up Placing Shares, the record date for which shall fall on or after the Placing Completion Date.

Completion of the Top-up Placing

The Top-up Placing is unconditional and shall be completed on the Placing Completion Date.

Termination

The Placing Agent may terminate the Placing and Subscription Agreement by notice in writing to the Company at any time before 10:00 a.m. (Hong Kong time) on the Placing Completion Date in any of the following cases:

- (1) in the reasonable judgment of the Placing Agent, there is any significant change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of such Placing Agent would be materially adverse in the consummation of the Top-up Placing; or
- (2) there is any material breach of the warranties, representations and undertakings given by the Company and/or CIAM in the Placing and Subscription Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Top-up Placing; or
- (3) any statement contained in any announcement relating to the Placing and Subscription Agreement has become or been discovered to be untrue, incorrect or misleading in any material respect which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Top-up Placing.

The Top-up Subscription

The Company has conditionally agreed to allot and issue and CIAM has agreed to subscribe (by itself or through its nominees) for up to 100,000,000 Top-up Subscription Shares.

Number of the Top-up Subscription Shares

The 100,000,000 Top-up Subscription Shares represent (i) approximately 7.42% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.91% of the issued share capital of the Company as enlarged by the Top-up Subscription.

Top-up Subscription Price

The Top-up Subscription Price of HK\$0.89 is the same as the Top-up Placing Price.

The Top-up Subscription Price was determined with reference to the Top-up Placing Price and was negotiated on an arm's length basis based on the Top-up Placing Price between CIAM, the Company and the Placing Agent on the date of the Placing and Subscription Agreement.

Ranking of the Top-up Subscription Shares

The Top-up Subscription Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of issue and allotment of the Top-up Subscription Shares.

Conditions of the Top-up Subscription

Completion of the Top-up Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange agreeing to grant to the Company the listing of, and permission to deal in, the Top-up Subscription Shares;
- (ii) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Top-up Subscription void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Top-up Subscription (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company and/or the Subscriber to proceed with the Top-up Subscription); and
- (iii) the completion of the Top-up Placing.

In the event of the conditions referred to above not having been fulfilled on or before the Long Stop Date, all rights, obligations and liabilities of the parties under the Placing and Subscription Agreement in relation to the Top-up Subscription shall cease and determine and none of the Company and CIAM shall have any claim against any other in relation to the Top-up Subscription save for rights and remedies accrued prior to such termination.

Completion

Completion of the Top-up Subscription will take place on the Business Day next following the fulfilment of all the conditions as set out above or such other date as the Company and CIAM shall agree.

As completion of the Top-up Subscription is subject to fulfilment of the conditions as set out in the Placing and Subscription Agreement, and as the Placing Agent is entitled to terminate the Placing and Subscription Agreement under certain circumstances, the Top-up Placing and Subscription may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

GENERAL MANDATE

The Company was authorised to issue and allot 191,577,173 Shares under the General Mandate granted by the Shareholders at the annual general meeting of the Company held on 26 June 2014. The General Mandate is sufficient for the issue and allotment of the Conversion Shares and the Top-up Subscription Shares.

As at the date of this announcement, the General Mandate has not yet been utilised. Accordingly, the Company may still issue and allot up to 191,577,173 Shares under the General Mandate and it is intended that the Conversion Shares and the Top-up Subscription Shares will be allotted and issued thereunder.

EFFECT ON SHAREHOLDING

To the best knowledge of the Directors and the Company, assuming that no other Shares will be issued, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of the Top-up Placing and Subscription but before the exercise of the conversion rights attached to the Outstanding Convertible Securities; (iii) after the CB Placing and the full conversion of the Placing CB but before the exercise of the conversion rights attached to the Outstanding Convertible Securities and the completion of the Top-up Placing and Subscription; and (iv) after the CB Placing, the full conversion of the Placing CB, the completion of the Top-up Placing and Subscription and the exercise of the conversion rights attached to the Outstanding Convertible Securities, shall be as follows:

	(i) As at the date of this announcement		(ii) After the completion of the Top-up Placing and Subscription but before the exercise of the conversion rights attached to the Outstanding Convertible Securities		(iii) After the CB Placing and the conversion of the Placing CB but before the exercise of the conversion rights attached to the Outstanding Convertible Securities and the completion of the Top-up Placing and Subscription		(iv) After the CB Placing, the conversion of the Placing CB, the completion of the Top-up Placing and Subscription and the exercise of the conversion rights attached to the Outstanding Convertible Securities	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Substantial Shareholders								
Chinese Strategic (Note 1)	329,288,000	24.43	329,288,000	22.74	329,288,000	23.27	364,948,000	11.75
CIAM (Note 2)	102,552,205	7.61	102,552,205	7.08	102,552,205	7.25	1,001,303,367	32.25
Others								
Holder of the share options (Note 3)	-	-	-	-	-	-	8,000,000	0.26
Subscribers of the Placing CB (Note 4)	-	-	-	-	67,415,730	4.76	67,415,730	2.17
Placees (Note 4)	-	-	100,000,000	6.91	-	-	100,000,000	3.22
Other Shareholders	916,078,611	67.96	916,078,611	63.27	916,078,611	64.73	1,563,283,111	50.35
Total	<u>1,347,918,816</u>		<u>1,447,918,816</u>		<u>1,415,334,546</u>		<u>3,104,950,208</u>	

Notes:

- These Shares comprise 329,288,000 in Shares currently in issue and the additional 35,660,000 Shares issuable under the Outstanding Convertible Securities of the Company held by Chinese Strategic.

2. These Shares comprise 102,552,205 Shares currently in issue and the additional 898,751,162 Shares issuable under the Outstanding Convertible Securities of the Company held by CIAM.
3. The share options refer to the outstanding share options granted under the share option scheme of the Company approved on 22 May 2008.
4. Assuming none of the Placees and the subscribers of the Placing CB is interested in the Shares or the Outstanding Convertible Securities of the Company.

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 and circular	Fund raising activities	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
27 May 2014, 28 May 2014, 6 June 2014, 16 June 2014, 4 July 2014 and 22 September 2014	Placing of existing Shares; subscription of new Shares under general mandate; and subscription of convertible bonds under specific mandate	Approximately HK\$65.6 million from the PF Placing	(i) HK\$33.1 million for settling the cash portion of the consideration for the Acquisition (“ Cash Consideration ”); and (ii) the remaining balance of approximately HK\$32.5 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	(i) HK\$35.6 million for professional fees and expenses in relation to the Acquisition; and (ii) HK\$30 million for general working capital of Weldtech Technology Co. Limited (“ Weldtech Technology ”). (<i>Note</i>)

Note: As announced on 16 June 2014, 22 September 2014 and 13 March 2015 by the Company, the due date for settlement of the Cash Consideration has been further extended to on or before 13 September 2015. Therefore, the proceeds from the PF Placing were used to settle professional fee and expenses in relation to the Acquisition and general working capital of Weldtech Technology.

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

REASONS FOR THE CB PLACING AND THE TOP-UP PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

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

The Directors are of the view that the CB Placing and the Top-up Placing and Subscription will strengthen the working capital of the Company. Save for the memorandum of understanding in relation to the acquisition of interests in two exhaust heat electricity generation projects in the PRC as announced by the Company on 20 May 2015, the Company has not entered into any agreement, arrangement or understanding on any acquisitions or investments as at the date of this announcement.

Assuming the entire principal amount of the Placing CB is fully subscribed, the gross proceeds from the CB Placing will be HK\$60.0 million. The net proceeds (after deducting all relevant expenses) will be approximately HK\$57.5 million (per Conversion Share: HK\$0.85).

Assuming that all the 100,000,000 Top-up Subscription Shares are fully subscribed under the Top-up Subscription, the gross proceeds and estimated net proceeds from the Top-up Subscription are approximately HK\$89.0 million and approximately HK\$85.5 million respectively (per Top-up Subscription Share: HK\$0.85).

The estimated total net proceeds from the CB Placing and the Top-up Subscription amount to approximately HK\$143.0 million. The Board intends to use the net proceeds for possible investments in the future when opportunities arise and/or for general working capital of the Group.

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

The Directors (including the independent non-executive Directors) are also of view that the Top-up Placing and Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Placing and Subscription Agreement, which were arrived at after arm's length negotiations between CIAM, the Company and the Placing Agent, are fair and reasonable so far as the Shareholders are concerned.

GENERAL

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, each of the Conversion Shares and the Top-up Subscription Shares.

As each of the Placing CB under the CB Placing and the Top-up Subscription Shares under the Top-up Subscription will be issued under the General Mandate, no Shareholders' approval is required for the CB Placing and the Top-up Subscription.

Pursuant to the Sale and Purchase Agreement, CIAM had undertaken and guaranteed that all the Consideration Shares (as defined in the announcement of the Company dated 6 December 2013 in respect of the Sale and Purchase Agreement, which currently include the Top-up Placing Shares held by CIAM) shall not be transferred to any third party within one year from the date of issue (i.e. 13 June 2014), except for transfer of such among the vendors under the Sale and Purchase Agreement (the "**Lock-up Undertaking**"). To facilitate the Top-up Placing and Subscription, the Board has waived CIAM's strict compliance with the Lock-up Undertaking in relation to the placing of the Top-up Placing Shares on the condition that the Top-up Subscription Shares shall remain under the Lock-up Undertaking upon issuance to CIAM.

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 announcements of the Company dated 6 December 2013, 30 April 2014 and 16 June 2014 and the circular of the Company dated 11 April 2014
“Board”	the board of directors of the Company from time to time
“Business Day”	a day on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“CB Placing”	the placing of the Placing CB pursuant to the CB Placing Agreement
“CB Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent on 2 June 2015 in relation to the placing of the Placing CB
“CB Placing Completion Date”	not later than 4:00 p.m. on the third business day next following the notification in writing from the Company to the Placing Agent that the conditions to the CB Placing have been fulfilled and completion of the CB Placing Agreement shall take place (or such other time and date as may be agreed by the parties to the CB Placing Agreement)
“CB Placing Long Stop Date”	2 July 2015 (or such other time and date as the parties to the CB Placing Agreement may agree in writing)

“Chinese Strategic”	Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8089)
“CIAM”	CITIC International Assets Management Limited, a company incorporated in Hong Kong with limited liability
“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
“Conversion Price”	the initial conversion price of HK\$0.89 per Conversion Share, subject to adjustment pursuant to the terms and conditions of the Placing CB
“Conversion Shares”	new Shares which fall to be issued by the Company upon exercising the conversion rights attached to the Placing CB pursuant to the terms and conditions of the Placing CB
“Convoy” or “Placing Agent”	Convoy Investment Services Limited, a corporation licensed and authorised by the SFC to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO
“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 SFO
“Directors”	the directors of the Company

“FT Placing”	the placing of Shares procured by FTS pursuant to the Prior Placing Agreement and the Stock Lending and Subscription Agreement, in which the Prior Joint Placing Agents were appointed on an exclusive basis to place, on a best-effort basis, up to 310,000,000 Shares to placees under and in accordance with the Prior Placing Agreement, which was part of the Prior Placing under and as contemplated in the Prior Placing Agreement
“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 SFO
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 26 June 2014 to allot, issue and deal with up to 191,577,173 new Shares (representing 20% of the then issued capital of the Company as at the date of the said annual general meeting) or securities convertible into such Shares, or options, warrants or similar rights to subscribe for such Shares or such convertible securities
“Group”	the group of companies consisting of the Company and its subsidiaries
“Hong Kong Dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Date”	the date of issue of the Placing CB

“Last Trading Day	2 June 2015, being the last Trading Day for the Shares prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	2 July 2015 (or such later date as may be agreed between the Company and CIAM)
“Other Vendors”	the Shareholders procured by PFS, which, among them, offered or otherwise made available in aggregate 87,000,000 Shares to participate in the PF Placing and such other transactions contemplated in and under the Prior Placing Agreement
“Outstanding Convertible Securities”	the outstanding convertible securities of the Company and share options of the Company
“PACS”	Ping An 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 SFO)
“PF Placing”	the placing of Shares procured by PFS pursuant to the Prior Placing Agreement and the Stock Lending and Subscription Agreements, in which the Prior Joint Placing Agents were appointed on an exclusive basis to place, on a best-effort basis, up to 87,000,000 Shares to placees under and in accordance with the Prior Placing Agreement, which was part and parcel of the Prior Placing under and as contemplated in the Prior Placing Agreement
“PFS”	Pacific Foundation Securities Limited, a corporation licensed and authorised by the SFC to carry out Regulated Activities types 1 (dealing in securities) and 9 (asset management) as set out and defined in the SFO

“Placee(s)”	any professional, institutional or other investor(s) or person or entity procured by or on behalf of the Placing Agent or their agent(s) to purchase any of the Top-up Placing Shares pursuant to the Placing Agent’s obligations under the Placing and Subscription Agreement
“Placing CB”	the convertible bonds in the principal amount of up to HK\$60,000,000 to be issued by the Company pursuant to the CB Placing Agreement
“Placing and Subscription Agreement”	the placing and subscription agreement dated 2 June 2015 entered into between CIAM, the Company and the Placing Agent in relation to the Top-up Placing and Subscription
“Placing Completion Date”	the date as CIAM and the Placing Agent shall agree on which completion of the Top-up Placing shall take place pursuant to the Placing and Subscription Agreement
“Prior Joint Placing Agents”	CSICF, PFS, FTS, RHOSK and PACS
“Prior Placing”	the placing of up to 397,000,000 new Shares pursuant to the terms of the Prior Placing Agreement, including the FT Placing and the PF Placing
“Prior Placing Agreement”	the placing agreement dated 27 May 2014 entered into between the Company and the Prior Joint Placing Agents in relation to the Prior Placing, as revised and supplemented by the Supplemental Prior Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“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 SFO
“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 October 2013 in relation to the Acquisition entered into among the Company and the parties named therein
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares in the capital of the Company
“Shareholders”	the holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Lending and Subscription Agreement(s)”	the stock lending and subscription agreement(s) dated 5 June 2014 executed by each of the Other Vendors and the Company
“Supplemental Prior Placing Agreement”	the supplemental placing agreement dated 16 June 2014 entered into between the Company and the Prior Joint Placing Agents in relation to the Prior Placing supplementing and amending the Prior Placing Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers administered by the SFC
“Top-up Placing”	the placing of the Top-up Placing Shares held by CIAM pursuant to the terms and conditions of the Placing and Subscription Agreement

“Top-up Placing and Subscription”	the Top-up Placing and the Top-up Subscription
“Top-up Placing Price”	the price of HK\$0.89 per Top-up Placing Share
“Top-up Placing Share(s)”	an aggregate of up to 100,000,000 Shares held by CIAM and to be placed pursuant to the Placing and Subscription Agreement
“Top-up Subscription”	the subscription of the Top-up Subscription Shares by CIAM pursuant to the terms and conditions of the Placing and Subscription Agreement
“Top-up Subscription Price”	the price of HK\$0.89 per Top-up Subscription Share which shall be the same as the Top-up Placing Price
“Top-up Subscription Share(s)”	an aggregate of up to 100,000,000 new Shares to be subscribed for by CIAM pursuant to the Placing and Subscription Agreement, being the number of the Top-up Placing Shares actually placed by the Placing Agent on behalf of CIAM pursuant to the terms of the Placing and Subscription Agreement
“Trading Day”	a day on which the Shares are traded on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange in force from time to time

By Order of the Board

The Hong Kong Building and Loan Agency Limited

Diana Liu He

Executive Director

Hong Kong, 3 June 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.