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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)

VOLUNTARY ANNOUNCEMENT

This is a voluntary announcement made by The Hong Kong Building and Loan Agency Limited (the “**Company**”).

BACKGROUND OF THE ACQUISITION

References are made to the announcements of the Company dated 10 January 2019 and 15 May 2019 (the “**Announcements**”), in relation to, among other things, the Scheme (as defined in the Announcements). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The scheme document of the Company was despatched to the Creditors (as defined below) of the Scheme on 3 June 2019. The purpose of this announcement is to provide shareholders of the Company with further details of the Scheme.

THE SCHEME

The outstanding indebtedness of the Company include, but is not limited to, (i) Convertible Bonds in the principal amount of approximately HK\$945.2 million as at 31 December 2018; (ii) the interest accrued on the outstanding principal amount of the Convertible Bonds in the amount of approximately HK\$59.1 million as at 31 July 2019 (assuming the effective date of the Scheme to be 31 July 2019) (the “**Interest**”); and (iii) Promissory Notes in the principal amount of approximately HK\$127.4 million as at 31 December 2018.

The Promissory Notes matured on 31 December 2018. The failure to repay the Promissory Notes on their maturity has led to cross default of the Convertible Bonds, notwithstanding the latter’s maturity date on 31 December 2023. As such, the Company proposed to enter into and implement the Scheme to settle the aforesaid liabilities owed to the holders of the Convertible Bonds and the Promissory Notes (the “**Creditors**”). The Scheme Meeting is scheduled to be held on 28 June 2019.

If the Scheme is implemented on the effective date of the Scheme, the Company shall issue and allot ordinary shares in the Company (the “**Shares**”) up to (i) 1,181,447,662 conversion shares at the price of HK\$0.8 per Share (the “**Conversion Shares**”) to settle the outstanding principal amount of the Convertible Bonds in accordance with the original terms and conditions of the Convertible Bonds under the specific mandate that was granted by the Shareholders at the EGM held on 30 April 2014; (ii) 159,250,000 new Shares for settlement and discharge of all outstanding principal amount of the Promissory Notes on the basis of HK\$0.8 per Share (the “**Promissory Notes Shares**”) under the general mandate that was granted by the Shareholders at the annual general meeting of the Company held on 3 June 2019 (the “**General Mandate**”); and (iii) 73,897,126 new Shares for the Interest under the General Mandate (assuming the effective date of the Scheme to be 31 July 2019). If the actual effective date falls on a date after 31 July 2019, the Company shall issue new Shares under the General Mandate on the aforesaid basis of HK\$0.8 per Share to settle the interest accrued on the Convertible Bonds up to the actual effective date.

A total of 1,181,447,662 Conversion Shares shall issue and allot by the Company under the abovementioned specific mandate, representing approximately 51.2% of the issued share capital of the Company as at the date of this announcement and approximately 31.8% of the enlarged issued share capital of the Company immediately after implementation of the Scheme.

Under the General Mandate, an aggregate of 233,147,126 Shares which comprise Promissory Notes Shares and new Shares for the Interest shall issue and allot by the Company, representing approximately 10.1% of the issued share capital of the Company as at the date of this announcement and approximately 6.27% of the enlarged issued share capital of the Company immediately after implementation of the Scheme.

The conversion price of the Convertible Bonds in accordance with the original terms and conditions of the Convertible Bonds and the issue price of the Promissory Notes Shares and new Shares for the Interest are the same, being HK\$0.8 per Share. Each of the conversion price and the issue price represents:

- (a) a premium of approximately 1,211.5% to the closing price of HK\$0.061 per Share as quoted on the Stock Exchange as at the date of this announcement; and
- (b) a premium of approximately 1,134.6% to the average closing price of HK\$0.0648 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of this announcement.

The maximum number of Shares that can be issued under the General Mandate is 461,300,563 Shares. As at the date hereof, the Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the issue and allotment of the Promissory Notes Shares and the new Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Promissory Notes Shares and the new Shares.

TENTATIVE TIMETABLE OF THE SCHEME

The tentative timetable of the Scheme is as follows:

Despatch of Scheme document and notice of Scheme Meeting	3 June 2019
Scheme Meeting	28 June 2019
Court hearing for sanctioning the Scheme (<i>Note</i>)	23 July 2019
Effective date of the Scheme (<i>Note</i>)	31 July 2019
Closing date of the Scheme, by which date the Shares shall be issued to each of the Creditors (<i>Note</i>)	25 September 2019

Note:

The actual date of the court hearing, the effective date and the closing date of the Scheme will depend on the availability of the Court and the actual length and scope of the relevant hearings.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the proposed effective date, the overall effect on the shareholdings in the Company of various parties as a result of the Scheme is set out in the following table for illustration purpose only:

	As at the date of this announcement		Immediately after implementation of the Scheme					Approx.
	No. of Shares	Approx.	Existing Shares	Conversion Shares	Promissory Notes Shares	New Shares for the Interest	Total Shares	
Hong Kong Mengzai Material Co., Limited	384,416,000	16.67%	384,416,000	–	–	–	384,416,000	10.33%
The Creditors								
CITIC International Assets Management Limited and its associates (Note 1)	102,552,205	4.45%	102,552,205	902,501,162	–	56,449,594	1,061,502,961	28.53%
State Energy HK Limited (Note 2)	454,268,172	19.70%	454,268,172	113,665,537	159,250,000	7,109,547	734,293,256	19.73%
Cheng Lut Tim (Note 3)	–	–	–	5,000,000	–	312,740	5,312,740	0.14%
Lo Shao Chi Julian (Note 3)	–	–	–	2,500,000	–	156,370	2,656,370	0.07%
Zhao Xiao Hua (Note 3)	–	–	–	1,250,000	–	78,185	1,328,185	0.04%
Spurrey Limited (Note 3)	–	–	–	91,538,575	–	5,725,550	97,264,125	2.61%
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited (Note 3)	–	–	–	64,992,388	–	4,065,140	69,057,528	1.86%
Public Shareholders	1,365,266,439	59.18%	1,365,266,439	–	–	–	1,365,266,439	36.69%
Total	2,306,502,816	100.00%	2,306,502,816	1,181,447,662	159,250,000	73,897,126	3,721,097,604	100.00%

Notes:

- Save for the 102,552,205 shares held by CITIC International Assets Management Limited and its associates (the “CIAM”), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, CIAM is not a connected person to the Company as at the date of this announcement.
- As State Energy HK Limited (the “State Energy”) is a substantial shareholder of the Company, the issue of the Conversion Shares, Promissory Note Shares and the new Shares for the Interest to State Energy will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will adopt appropriate procedures for the compliance of the relevant requirements of the Listing Rules. The Company will make further announcements as and when appropriate pursuant to the requirements under the Listing Rules.

3. Each of the Creditors who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons as at the date of this announcement.

The release of this announcement does not necessarily mean that the Scheme will be successfully implemented and completed. The Company shall make further announcement(s) in relation to the Scheme as and when appropriate.

By order of the Board
The Hong Kong Building and Loan Agency Limited
Chong Kok Leong
Executive Director

Hong Kong, 4 June 2019

As at the date of this announcement, the Board comprises Dr. Li Ai Guo, Mr. Chong Kok Leong and Mr. Zhuang Miao Zhong being the executive Directors; and Mr. Choy Hiu Fai, Eric, Mr. Huang Lizhi and Mr. Ng Kay Kwok being the independent non-executive Directors.