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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in The Hong Kong Building and Loan Agency Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
RE-ELECTION OF RETIRING DIRECTORS;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the extraordinary general meeting of The Hong Kong Building and Loan Agency Limited to be held at Guo Fu Lou, LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Wednesday, 17 September 2014, at 11:30 a.m. is set out on pages 42 to 43 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

1 September 2014

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“2013 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
“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
“Articles”	the articles of association of the Company
“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 lending of the Convertible Bonds pursuant to the CB Lending and Subscription Agreement
“CB Lending and Subscription Agreement”	the agreement dated 27 May 2014 executed by the Company, the First Vendor and FTS in relation to the CB Lending and the CB Subscription
“CB Subscription”	the subscription of the New CB, the terms and conditions of which shall be exactly identical to those of the Convertible Bonds

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## DEFINITIONS

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“CB Subscription Completion Date”	the business day on which completion of the CB Subscription shall take place or immediately after, all conditions of the CB Lending and Subscription Agreement have been fulfilled or satisfied
“CB Subscription Price”	subscription price of the New CB, which shall be settled and discharged by the FTS Placing Proceeds and remitted to the Company directly
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“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)
“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
“Consideration CB”	the consideration convertible bonds issued by the Company to the vendors as part of the consideration for the Acquisition upon completion of the Acquisition pursuant to the Sale and Purchase Agreement
“Conversion Price”	HK\$0.135 per New Conversion Share (subject to adjustments), which is equivalent to the conversion price of the Convertible Bonds
“Convertible Bonds”	the then existing convertible bonds up to the principal amount of HK\$41,850,000 issued by the Company to the First Vendor 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

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## DEFINITIONS

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“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”	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, among other things, the grant of the Specific Mandate
“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, 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 Placees 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 Proceeds”	the net placing proceed from the FT Placing, after deducting the placing commission, the relevant praecipium and other related expenses, being HK\$26,595,000
“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 pursuant to the Placing Agreement

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## DEFINITIONS

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“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)
“GM Subscription”	the subscription of 87,000,000 new Shares by the Other Vendors pursuant to the Stock Lending and Subscription Agreements, and allotted and issued by the Company on 13 June 2014 under the 2013 General Mandate
“GM Subscription Shares”	87,000,000 Shares allotted and issued by the Company to Other Vendors on 13 June 2014 pursuant to the Stock Lending and Subscription Agreement
“Gross Placing Proceeds”	the aggregate of the gross proceeds of the placing of FT Placing Shares and the gross proceeds of the placing of PF Placing Shares in the Placing, and the gross proceeds of the placing of FT Placing Shares and/or the gross proceeds of the placing of PF Placing 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 FT Placing Shares or PF Placing Shares placed by each Joint Placing Agents (whether by itself direct or through its sub-agent(s))
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Placing Agents”	CSICF, PFS, FTS, RHBOSK and PACS
“Latest Practicable Date”	27 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Last Trading Day”	26 May 2014, being the last trading day prior to the date of the Placing Agreement and the CB Lending and Subscription Agreement

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New CB”	convertible bonds in such principal amount as is equivalent to the actual aggregate principal amount of the convertible bonds converted into FT Placing Shares for the purpose of the FT Placing to be issued by the Company
“New CB Instrument”	the instrument constituting the New CB to be executed by the Company in the form of a deed
“New Conversion Share(s)”	new Shares to be allotted and issued upon exercise of the conversion rights attaching to the New CB at the initial conversion price of HK\$0.135 (subject to adjustments)
“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 Placing Agreement
“Outstanding Convertible Securities”	the Outstanding Option Convertible Bonds, the existing CB Options, the Convertible Bonds, the Consideration CB 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)
“PF Placing”	the placing of the PF Placing Shares procured by PFS pursuant to the Placing Agreement and the Stock Lending and Subscription Agreements, in which the 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 Placing Agreement, which was part and parcel of the Placing under and as contemplated in the Placing Agreement

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## DEFINITIONS

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“PF Placing Shares”	87,000,000 Shares 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 placing agreement dated 27 May 2014 entered into between the Company and the Joint Placing Agents in relation to the Placing, as revised and supplemented by the Supplemental Placing Agreement
“Placing Price”	HK\$0.8 per Placing Share
“Placing Share(s)”	the PF Placing Shares and the FT Placing Shares
“Return”	the return of the principal amount of the Convertible Bonds, which had not been converted into FT Placing Shares, to the First Vendor free from all liens, charges, security interests, encumbrances and adverse claims of any kind by close of business on 3 July 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



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## DEFINITIONS

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“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 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
“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 Conversion Shares 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 was authorized to deal with such Shares in such manner in the PF Placing as it deems fit and appropriate. The Other Vendors were the sole legal and beneficial owners of such Shares, free from any or all liens, charges, security interests, encumbrances and adverse claims of any kind
“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 in relation to the Stock Lending and the GM Subscription
“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

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## DEFINITIONS

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“Supplemental Placing Agreement”	the supplemental placing agreement dated 16 June 2014 entered into between the Company and the Joint Placing Agents in relation to the Placing supplementing and amending the Placing Agreement
“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 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 the completion of any Tranche in the Placing
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. So Yuen Chun  
Ms. Diana Liu He

*Non-Executive Directors:*

Mr. Lam Kwok Hing, Wilfred, *J.P.*  
Mr. Huang Lizhi

*Independent Non-executive Directors:*

Mr. Yeung Wai Hung, Peter  
Ms. Yuen Wai Man  
Mrs. Chu Ho Miu Hing

*Registered office:*

Unit F, 7/F  
China Overseas Building  
139 Hennessy Road  
Wanchai, Hong Kong

1 September 2014

*To the Shareholders, and for information only*  
*holders of the Outstanding Convertible Securities*

Dear Sir/Madam,

**PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS**  
**UNDER SPECIFIC MANDATE;**  
**RE-ELECTION OF RETIRING DIRECTORS;**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the CB Lending and Subscription Agreement and the CB Subscription; (ii) the re-election of retiring Directors; and (iii) a notice convening the EGM at which ordinary resolutions will be proposed to approve the CB Subscription and the transactions contemplated thereunder, including the grant of the Specific Mandate and the re-election of retiring Directors.

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## LETTER FROM THE BOARD

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### PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

References are made to (i) the announcements of the Company dated 27 May 2014, 28 May 2014 and 6 June 2014 in relation to, among other things, (a) the Placing; (b) the GM Subscription; and (c) the CB Subscription; and (ii) the announcements of the Company dated 16 June 2014, 4 July 2014 and 28 July 2014 in relation to, among other things, the completion of the PF Placing and the FT Placing.

On 27 May 2014, the Company and the Joint Placing Agents entered into the Placing Agreement (as revised and supplemented by the Supplemental Placing Agreement), pursuant to which, the Company 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.

On 27 May 2014, the Company, the First Vendor, and FTS also entered into the CB Lending and Subscription Agreement pursuant to which, the First Vendor 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 at the CB Subscription Price and the Company shall use its best endeavours to ensure the issuance of such New CB. In any event, the principal amount of the New CB shall not exceed HK\$41,850,000. The New Conversion Shares under the CB Subscription will be issued under the Specific Mandate.

On 13 June 2014, the PF Placing and the GM Subscription were completed in accordance with the terms and conditions of the Placing Agreement and the Stock Lending and Subscription Agreements. An aggregate of 87,000,000 Shares for the PF Placing have been successfully placed by the Joint Placing Agents to not fewer than six Placees at the Placing Price of HK\$0.8 per PF Placing Share. An aggregate of 87,000,000 GM Subscription Shares have been allotted and issued to the Other Vendors by the Company at the Subscription Price of HK\$0.8 per Share on 13 June 2014.

On 4 July 2014, the Company announced that the FT Placing of 40,000,000 Shares had been completed in accordance with the terms and conditions of the Placing Agreement (as revised and supplemented by the Supplemental Placing Agreement) and the CB Lending and Subscription Agreements. Through the exercise of the conversion rights attaching to convertible bonds in the principal amount of HK\$5,400,000 out of the Convertible Bonds by FTS, an aggregate of 40,000,000 Shares had been successfully placed under the FT Placing by the Joint Placing Agents to LA COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD BANQUE SA and Leighton Deck Limited at the Placing Price of HK\$0.8 per FT Placing Share.

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## LETTER FROM THE BOARD

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Accordingly, the actual aggregate principal amount of the Convertible Bonds being converted into FT Placing Shares for the purpose of the FT Placing is HK\$5,400,000, FTS shall subscribe for New CB in the principal amount of HK\$5,400,000 at HK\$26,595,000, being the CB Subscription Price, which is equivalent to the FT Placing Proceeds, to be issued by the Company to FTS under the Specific Mandate.

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**”) pursuant to the CB Lending and Subscription Agreement.

### THE CB LENDING AND SUBSCRIPTION AGREEMENT

#### Date

27 May 2014

#### Parties

- (i) the Company
- (ii) the First Vendor
- (iii) FTS

On 27 May 2014, the Company, the First Vendor and FTS also entered into the CB Lending and Subscription Agreement pursuant to which, the First Vendor 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 at the CB Subscription Price and the Company shall use its best endeavours to ensure the issuance of such New CB. In any event, the principal amount of the New CB shall not exceed HK\$41,850,000. The New Conversion Shares under the CB Subscription will be issued under the Specific Mandate.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, Mr. Lam Kwok Hing, Wilfred, *J.P.*, the non-executive director of the Company is also the chairman and executive director of Chinese Strategic, the ultimate beneficial owner of the First Vendor and Ms. Yuen Wai Man, an independent non-executive director of the Company, is also an independent non-executive director of Chinese Strategic. Save for the abovementioned, as at the Latest Practicable Date, each of the First Vendor and FTS, and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

On 4 July 2014, the Company announced that the FT Placing of 40,000,000 Shares had been completed in accordance with the terms and conditions of the Placing Agreement (as revised and supplemented by the Supplemental Placing Agreement) and the CB Lending and Subscription Agreements. Through the exercise of the conversion rights attaching to convertible bonds in the principal amount of HK\$5,400,000 out of the Convertible Bonds by FTS, an aggregate of 40,000,000 Shares had been successfully placed under the FT Placing by the Joint Placing Agents to LA COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD BANQUE SA and Leighton Deck Limited at the Placing Price of HK\$0.8 per FT Placing Share.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners (if applicable) were third parties independent of and not connected with the Company and its connected persons. None of the Placees became substantial shareholders (as defined in the Listing Rules) forthwith the completion of the FT Placing.

Pursuant to the CB Lending and Subscription Agreement, FTS shall ensure, and to procure, that the FT Placing Proceeds of each and every tranche in the FT Placing shall be remitted directly to the First Vendor or to the First Vendor's order forthwith upon the FTS's receipt of the same free from any deduction whatsoever, and neither the FTS nor the Company shall deal with the FT Placing Proceeds in any manner save and except remitting the entire amount of the same to the First Vendor. All FT Placing Proceeds remitted to the First Vendor shall be retained by the First Vendor and shall be used only as subscription monies for the New CB and not to be remitted in other forms or under other purposes.

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## LETTER FROM THE BOARD

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Accordingly, the FT Placing Proceeds shall only be remitted either to the First Vendor or to the First Vendor's order. Upon completion of the FT Placing, proceeds from the FT Placing (net of stamp duty, levy and other charges) in the amount of approximately HK\$32 million were transferred to the Company at the First Vendor's order pursuant to the CB Lending and Subscription Agreement. The Company is, as advised by its legal adviser, not restricted from utilization of the FT Placing Proceeds upon receiving remittance of the same from the First Vendor. As at the Latest Practicable Date, the Company has utilized the FT Placing Proceeds for fees and expenses in connection to the Acquisition and general working capital of Weldtech Technology Co. Limited.

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 (the "**Payment**"). 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.

Accordingly, the actual aggregate principal amount of the Convertible Bonds being converted into FT Placing Shares for the purpose of the FT Placing is HK\$5,400,000, FTS shall subscribe for New CB in the principal amount of HK\$5,400,000 at HK\$26,595,000, being the CB Subscription Price, which is equivalent to the FT Placing Proceeds, to be issued by the Company to FTS under the Specific Mandate.

FTS shall, forthwith upon completion of the CB Subscription, 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 pursuant to the CB Lending and Subscription Agreement.

Based on the initial conversion price of HK\$0.135, a maximum number of 40,000,000 New Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the New CB in full, which represent approximately 3.93% of the existing issued share capital of the Company and approximately 3.78% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares.

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## LETTER FROM THE BOARD

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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 are set out in the section headed “Principal terms of New CB”.

In addition, parties to the CB Lending and Subscription Agreement (the “Parties”) understand that in the event the Specific Mandate is not approved by the Shareholders, the Parties would re-negotiate the terms under the CB Lending and Subscription Agreement in order to arrive at an alternative settlement method for the New CB in compliance with the Listing Rules. Such terms may include, but not limited to, the issue of new Shares under general mandate or specific mandate of the Company to the First Vendor in return of the Convertible Bonds converted into FT Placing Shares. While terms regarding the possible settlement method were not set out in the CB Lending and Subscription Agreement, the Parties would further discuss and enter into possible supplemental agreement(s) as and when appropriate, and the Company would disclose the same in compliance with the relevant Listing Rules accordingly when necessary.

### **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. Conditions (a) and (b) were satisfied on 27 May 2014 and 4 July 2014 respectively.



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## LETTER FROM THE BOARD

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### Completion of the CB Subscription

Completion of the CB Subscription shall take place at the offices of the Company at 4:00 p.m. 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).

### PRINCIPAL TERMS OF NEW CB

Set out below are the principal terms of the New CB:

- |                   |   |
|-------------------|---|
| Issuer:           | the Company   |
| Principal amount: | HK\$5,400,000   |
| Conversion Price: | The Conversion Price of HK\$0.135 per Conversion Share represents: <ul style="list-style-type: none"><li>(i) a discount of approximately 79.85% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date;</li><li>(ii) a discount of approximately 83.73% to the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on the Last Trading Day; and</li><li>(iii) a discount of approximately 82.65% to the average closing price of HK\$0.778 per Share as quoted on the Stock Exchange for the last five consecutive trading days including the Last Trading Day</li></ul> |

In respect of the determination of the Conversion Price of the New CB, pursuant to the CB Lending and Subscription Agreement, 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. therefore, the Conversion Price of the New CB is exactly the same as the conversion price of the Convertible Bonds.

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## LETTER FROM THE BOARD

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The determination of the Conversion Price has taken into consideration factors including (i) the First Vendor having lent or made available the Convertible Bonds for the purpose of the FT Placing, and was entitled to the return of the New CB carrying the identical terms to those of the Convertible Bonds as stipulated under the CB Lending and Subscription Agreement; and (ii) the net price of the New CB of approximately HK\$0.664 per New Conversion Share, taking into account the CB Subscription Price and the number of underlying New Conversion Shares, marks an approximately 20% discount to the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on the Last Trading Day, which is within the range of market comparable. Based on the above factors, the Company is of the view that the initial Conversion Price of HK\$0.135 for the New CB is fair and reasonable to the Company and the Shareholders as a whole.

Adjustment to Conversion  
Price:

The Conversion Price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the New CB remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:—

- (i) Consolidation and subdivision

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such alteration by the following fraction:—

$$\frac{A}{B}$$

where

A is the nominal amount of one Share immediately after such alteration; and

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## LETTER FROM THE BOARD

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B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective from the day on which such consolidation or subdivision becomes effective.

(ii) Capitalisation of profits or reserves

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued *in lieu* of the whole or a part of a cash dividend and other than an issue that would amount to Capital Distribution (as defined in paragraph (iii)), the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue by the following fraction:—

$$\frac{A}{B}$$

where

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective from the day of such issue of Shares.

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## LETTER FROM THE BOARD

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(iii) Capital distribution

If and whenever the Company shall pay or make any Capital Distribution (as defined in this paragraph) to the Shareholders, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such Capital Distribution (as defined in this paragraph) by the following fraction:–

$$\frac{A - B}{A}$$

where

A is the fair market value of one Share, as determined in good faith by the independent accountants or financial adviser acting as an expert, on the day immediately preceding the date on which the Capital Distribution (as defined in this paragraph) is made; and

B is the fair market value on the date of such Capital Distribution (as defined in this paragraph), as determined in good faith by the independent accountants or financial adviser acting as an expert, of the portion of the Capital Distribution which is attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution (as defined in this paragraph) is actually made.

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## LETTER FROM THE BOARD

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“**Capital Distribution**” means (a) any distribution of assets *in specie* charged or provided for in the accounts of the Company for any financial period (whenever paid or made and however described) but excluding a distribution of assets in specie *in lieu* of, and to a value not exceeding, a cash dividend which would not have constituted a Capital Distribution under (b) below (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalization of reserves); and (b) any cash dividend or distribution of any kind charged or provided for in the accounts of the Company for any financial period (whenever paid or made and however described) unless:–

- (x) and to the extent that it does not, when taken together with any dividend or distribution in cash or any distribution of assets *in specie* previously made or paid in respect of any financial period of the Company, exceed an amount equal to the aggregate of the consolidated cumulative net profits less the aggregate of any consolidated net losses (after taxation but including any net realized gains (less any losses) made on the disposal of investments and extraordinary items) attributable to Shareholders in respect of financial periods as shown in the audited consolidated accounts of the Group for such periods; or

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## LETTER FROM THE BOARD

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(y) (to the extent that (x) above does not apply) the rate of that dividend or distribution, together with all other dividends or distributions on the class of shares in question charged or provided for in the accounts of the Company for that period, does not exceed the aggregate rate of dividend or distribution on such class of shares charged or provided for in the accounts of the Company for the immediately preceding financial period. In computing such rates the value of distributions in specie shall be taken into account and such adjustments as are in the opinion of the independent accountants appropriate to the circumstances shall be made (including adjustments in the event that the lengths of such financial periods differ).

(iv) Issue of Shares by way of rights

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95% of the fair market value of one Share, as determined in good faith by the independent accountants or financial adviser acting as an expert, on the day immediately preceding the date on which such issue or grant to Shareholders is made, the Conversion Price shall be adjusted by multiplying the conversion price in force immediately prior to such issue or grant by the following fraction:—

$$\frac{A + B}{A + C}$$

where

A is the number of Shares in issue immediately before such grant or issue;

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## LETTER FROM THE BOARD

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- B is the number of Shares which the aggregate amount (if any) payable for the rights, or for the options or warrants or other rights issued by way of rights, and for the total number of Shares comprised therein would purchase at such fair market value per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of the issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (v) Issue of other securities by way of rights

If and whenever the Company shall:–

- (a) issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights; or
- (b) grant to all or substantially all Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares),

the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue, grant or offer by the following fraction:–

$$\frac{A - B}{A}$$

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## LETTER FROM THE BOARD

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where

- A is the fair market value of one Share, as determined in good faith by the independent accountants or financial adviser acting as an expert, on the day immediately preceding the date on which such issue or grant is made; and
- B is the fair market value on the date of such grant is made as determined in good faith by the independent accountants or financial adviser acting as an expert, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of the issue of the securities or grant of such rights, options or warrants (as the case may be).

(vi) Issue of Shares other than by way of rights

If and whenever the Company shall wholly for cash:—

- (a) issue (otherwise than as mentioned in paragraph (iv) above) any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares); or
- (b) issues or grants (otherwise than as mentioned in paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares,



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## LETTER FROM THE BOARD

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in each case at a price per Share which is less than 95% of the fair market value of one Share, as determined in good faith by the independent accountants or financial adviser acting as an expert, on the day immediately preceding the date of such issue or grant, the Conversion Price shall be adjusted by multiplying the conversion price in force immediately prior to such issue or grant by the following fraction:—

$$\frac{A + B}{C}$$

where

- A is the number of Shares in issue immediately before the issue of such additional Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such fair market value per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of the issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

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## LETTER FROM THE BOARD

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(vii) Issue of Shares upon conversion or exchange

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this paragraph, if and whenever the Company or any subsidiary (otherwise than as mentioned in paragraphs (iv), (v) or (vi)), or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity, shall issue wholly for cash any securities (other than the New CB) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription, at a consideration per Share which is less than 95% of the fair market value of one Share, as determined in good faith by the independent accountants or financial adviser acting as an expert, on the day immediately preceding the date of the issue of such securities, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such issue by the following fraction:—

$$\frac{A + B}{A + C}$$

where

A is the number of Shares in issue immediately before such issue;

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## LETTER FROM THE BOARD

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B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange of or upon exercise of the right of subscription attached to such securities would purchase at such fair market value per Share; and

C is the maximum number of Shares to be issued upon conversion into or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of the issue of such securities.

(viii) Modification of rights of conversion or exchange

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share receivable by the Company is less than 95% of the fair market value of one Share, as determined in good faith by the independent accountants or financial adviser acting as an expert, on the day immediately preceding the date of such modification, the conversion price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:—

$$\frac{A + B}{A + C}$$

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## LETTER FROM THE BOARD

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where

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange, or upon exercise of the right of subscription attached to the securities so modified, would purchase at such fair market value per Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate,

but giving credit in such manner as the independent accountants or financial adviser (whom the Company undertakes to engage for the purpose of this paragraph) shall, acting as an expert, consider appropriate (if at all) for any adjustment under this paragraph.

Such adjustment shall become effective on the date of such modification of the rights of conversion, exchange or subscription attaching to such securities.

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## LETTER FROM THE BOARD

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(ix) Offers for Shares

If and whenever the Company or any subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which Shareholders generally (meaning for these purposes the holders of at least 60% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (iv) to (vii) above), the Conversion Price shall be adjusted by multiplying the conversion price in force immediately prior to such issue by the following fraction:—

$$\frac{A - B}{A}$$

where

A is the fair market value of one Share, as determined in good faith by the independent accountants or financial adviser acting as an expert, on the day immediately preceding the date of such issue; and

B is the fair market value on the date of such issue, as determined in good faith by the independent accountants or financial adviser, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

The Company will make further announcement in compliance with the relevant Listing Rules when the adjustment events are triggered.

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## LETTER FROM THE BOARD

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- New Conversion Shares: Assuming the New CB in the principal amount of up to HK\$5,400,000 are converted at the Conversion Price of HK\$0.135, up to a maximum of 40,000,000 New Conversion Shares will be allotted and issued, representing (a) approximately 3.93% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 3.78% of the issued share capital of the Company as enlarged by the New Conversion Shares.
- Maturity Date: 31 December 2016
- Interest rate: The New CB shall not bear any interest.
- Conversion Rights: Each holder of the New CB (the “**Bondholder**”) shall have the right, exercisable during the Conversion Period in the manner provided in the New CB Instrument, to convert the whole or any part (in multiples of HK\$1,350,000) of the outstanding principal amount of the New CB held by such Bondholder into such number of New Conversion Shares as will be determined by dividing the principal amount of the New CB to be converted by the Conversion Price in effect on the conversion date.
- No fraction of a New Conversion Share shall be issued on conversion and in lieu thereof the Company shall pay a cash amount in HK\$ equal to such amount of the New CB that is not converted.
- Limitations on conversion of the Convertible Bonds: The Company shall not be required to issue any New Conversion Shares, if, as a result of the relevant exercise of the conversion rights attached to the New CB, less than 25% or the minimum prescribed percentage as set out in the Listing Rules of the Company’s issued shares would be held by the public immediately after the relevant exercise of such conversion rights.

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## LETTER FROM THE BOARD

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Further, the Company shall not be required to issue any New Conversion Shares, if, as a result of the relevant exercise of such conversion rights, the Bondholder and/or parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) under the Takeovers Code.

Redemption:

*Redemption at maturity*

Any principal amount of the New CB which has not been redeemed or converted in accordance with the conditions as set out in the New CB Instrument by the Maturity Date, shall, at the absolute discretion of the Company (and regardless of whether or not the Bondholders concerned have requested for conversion of any or all principal amount of the New CB into New Conversion Shares), either be redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of the New CB, or be converted into the New Conversion Shares.

*Redemption on default*

If any of the events (“**Events of Default**”) specified below occur, the Company shall forthwith give notice thereof to the Bondholders and each Bondholder may (without prejudice to any other rights and remedies available to the Bondholders), at its option, opt to convert the New CB in its entirety or, alternatively, issue a notice of redemption to the Company in respect of part or all of the principal amount of the New CB held by it, whereupon the New CB shall become immediately due and payable at a redemption amount equal to 100% of the principal amount of the New CB. The Events of Default are as follows:–

- (i) any failure to pay the principal amount of the New CB when due and such failure continues for a period of seven Business Days;

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## LETTER FROM THE BOARD

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- (ii) any default made by the Company in the performance or observance of any undertaking, warranty or representation given by it under these terms (other than the covenant to pay the principal amount of the New CB) and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or if capable of remedy is not remedied within fifteen Business Days of service by any Bondholder on the Company of notice requiring such default to be remedied;
  
- (iii) any other present or future indebtedness of the Company or any of its subsidiaries (the “**Subsidiaries**”) for or in respect of any bond, debenture, note or similar instrument of indebtedness or any other monies borrowed or raised, becomes due and payable prior to its stated maturity otherwise than at the option (as the case may be) of the Company or the relevant subsidiary, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any such indebtedness provided that the aggregate amount of indebtedness and guarantees and indemnities in respect of which one or more events mentioned above have occurred equals or exceeds HK\$200,000,000 or its equivalent in any other currency provided that the provisions of this paragraph, shall not apply to any alleged default if the Company or the relevant subsidiary, as the case may be, is contesting the matter in good faith;



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## LETTER FROM THE BOARD

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- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a resolution of the Bondholders;
- (v) a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any subsidiary except (a) for the purposes of or pursuant to and followed by a consolidation or amalgamation with or merger into the Company or any other subsidiary, (b) for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction (other than as described in (a) above) the terms of which shall have previously been approved by a resolution of the Bondholders, or (c) by way of a voluntary winding up or dissolution where there are surplus assets in such subsidiary and such surplus assets attributable to the Company and/or any other subsidiary are distributed to the Company and/or any such other subsidiary;
- (vi) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company or any subsidiary;
- (vii) a distress, execution or seizure order before judgment is levied or enforced upon or sued out against the whole or a material part of the property, assets or revenues of the Company or any Subsidiary (as the case may be) and is not discharged or stayed within thirty Business Days or such longer period as the Bondholders, by a resolution of the Bondholders, may consider appropriate in relation to the event concerned;

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## LETTER FROM THE BOARD

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- (viii) the Company or any of its Subsidiaries is insolvent or unable to pay its debts as and when they fall due or the Company or any of its Subsidiaries shall initiate or consent to proceedings relating to itself under any applicable administration, bankruptcy, composition or insolvency law or scheme of arrangement while insolvent (except, for the avoidance of doubt, for the purposes of a dissolution or winding-up permitted under paragraphs (iv) or (v) above) or makes a general assignment for the benefit of, or enters into any composition with, its creditors;
- (ix) proceedings shall have been initiated against the Company or any Subsidiary under any applicable bankruptcy, reorganisation or insolvency law, and such proceedings shall not have been discharged or stayed within fifteen Business Days thereafter (or such longer period as the Bondholder(s) by a resolution of the Bondholders may consider appropriate in relation to the jurisdiction concerned);
- (x) it is or becomes unlawful for the Company to perform or comply with any of its obligations under the New CB Instrument or any New CB, or due to no fault on the part of any Bondholder any such obligation is not or ceases to be enforceable or is claimed by the Company not to be enforceable;
- (xi) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all or (other than on arm's length terms or with respect to a part of the relevant entity's business or operations which has not materially contributed to the consolidated operating profit of the Company and its Subsidiaries for at least three years prior to the day on which this paragraph operates) a material part of the assets of the Company or any of its Subsidiaries;

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## LETTER FROM THE BOARD

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- (xii) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the New CB or the New CB Instrument, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the New CB or the New CB Instrument admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done by the requisite time;
- (xiii) any breach of the representations, warranties and undertakings made by the Company to the Bondholder(s) in reliance of which the Bondholder(s) subscribes to the New CB; or
- (xiv) any event occurs which has an analogous effect to any of the events referred to in paragraphs (i) to (xiii) above.

Conversion Period:

the period commencing from the initial date of issue of the New CB and ending on the date which falls on the fifth Business Day before the Maturity Date, both dates inclusive, provided that if the Company fails to redeem the New CB on the redemption date in accordance with the terms of the New CB Instrument the period shall continue until redemption in full occurs.

Ranking:

New Conversion Shares issued upon exercise of conversion rights attached to the New CB shall rank *pari passu* in all respects with all other existing Shares outstanding at the conversion date and all New Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after such conversion date.

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## LETTER FROM THE BOARD

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**Transferability:** The New CB may be transferred to any person provided that where the New CB is intended to be transferred to a connected person (as defined in the Listing Rules) (other than the associates of the Bondholder), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

**Application for listing:** No application shall be made to the Stock Exchange for the listing of the New CB. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Conversion Shares.

### EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement and circular	Fund raising activities	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
28 February 2013, 15 March 2013, 22 August 2013, 16 October 2013, 21 October 2013, 19 December 2013, 11 February 2014, and 18 February 2014	Placing of convertible bonds in the principal amount of HK\$60.75 million under specific mandate	HK\$58.4 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	(i) as to approximately HK\$12.4 million for overhead expenses of the Company (of which approximately HK\$4.2million were utilized for staff costs and approximately HK\$8.2million were to be utilized for administrative expenses and legal & professional fees); (ii) as to approximately HK\$5.3 million for repayment of outstanding indebtedness; (iii) as to approximately HK\$6 million to fund the loan financing business of the Company; (iv) as to approximately HK\$10 million for investment in the energy saving sector; and (v) the remaining as to approximately HK\$24.7 million (which had not been fully utilized in the above areas) as treasury investments of the Company by investing in securities.
27 May 2014, 28 May 2014, 6 June 2014, 16 June 2014, and 4 July 2014	Placing of existing Shares; subscription of new Shares under general mandate; and subscription of convertible bonds under specific mandate ( <i>Note</i> )	Approximately HK\$65.6 million from the PF Placing	(i) HK\$33.1 million for settling the cash portion of the consideration of the Acquisition; 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, including applying for the roll out of energy management contract projects and its daily operating expenses.

*Note:* As at the Latest Practicable Date, the CB Subscription has not been completed.

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months before the Latest Practicable Date.

# LETTER FROM THE BOARD

## EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company under the respective circumstances for illustration purposes:

## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structures of the Company:

Shareholders	(I) As at the Latest Practicable Date		(II) (i) Immediately after the CB Subscription but before the conversion of the New CB, the exercise of the conversion rights attaching to the Consideration CBs, and exercise of the conversion rights attached to the remaining Outstanding Convertible Securities		(III) (i) Immediately after the CB Subscription and (ii) the conversion of the New CB but before the exercise of the conversion rights attaching to the Consideration CBs, and exercise of the conversion rights attached to the remaining Outstanding Convertible Securities		(IV) (i) Immediately after the CB Subscription; (ii) the conversion of the New CB; and (iii) the exercise of the conversion rights attached to the Consideration CBs but before exercise of the conversion rights attached to the remaining Outstanding Convertible Securities (Note 6)		(V) (i) Immediately after the CB Subscription; (ii) the conversion of the New CB; (iii) the exercise of the conversion rights attaching to the Consideration CBs; and (iv) exercise of the conversion rights attached to the remaining Outstanding Convertible Securities (Note 6)	
	No. of Shares	approx.	No. of Shares	approx.	No. of Shares	approx.	No. of Shares	approx.	No. of Shares	approx.
Substantial Shareholder CIAM (Note 1)	102,552,205	10.08%	102,552,205	10.08%	102,552,205	9.70%	1,001,303,367	38.00%	1,001,303,367	34.18%
First Vendor (Note 2)	-	-	-	-	40,000,000	3.78%	40,000,000	1.52%	40,000,000	1.36%
Holder(s) of the Outstanding Option Convertible Bonds (Note 3)	-	-	-	-	-	-	-	-	15,660,000	0.53%
Holders of the Convertible Bonds (Note 4)	-	-	-	-	-	-	-	-	270,000,000	9.22%
Holders of the share options (Note 5)	-	-	-	-	-	-	-	-	8,702,400	0.30%
Other Public Shareholders	914,494,861	89.92%	914,494,861	89.92%	914,494,861	86.51%	1,593,868,710	60.48%	1,593,868,710	54.41%
<b>Total</b>	<b>1,017,047,066</b>	<b>100.00%</b>	<b>1,017,047,066</b>	<b>100.00%</b>	<b>1,057,047,066</b>	<b>100.00%</b>	<b>2,635,172,077</b>	<b>100.00%</b>	<b>2,929,534,477</b>	<b>100.00%</b>

### Notes:

- These Shares include (i) 73,462,878 consideration shares 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 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.
- Pursuant to the CB Lending and Subscription Agreement, FTS shall, forthwith upon completion of the CB Subscription, 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. Upon full conversion of the New CB, the New CB in the principal amount of HK\$5,400,000 will be converted into a maximum of 40,000,000 New Conversion Shares, at the Conversion Price.

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## LETTER FROM THE BOARD

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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 resulted from the exercised CB Options (“**Outstanding Option Convertible Bonds**”) and the Possible CBs to be subscribed upon the 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. Further to 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 Latest Practicable Date, all of the 100 CB Options had been exercised to subscribe for convertible bonds of the Company in the principal amount of HK\$15,660,000 (out of which 90 CB Options had been exercised and converted into Shares). There are Outstanding Option Convertible Bonds in the principal amount of HK\$1,566,000, which is convertible into 15,660,000 Shares.

4. References are made to the announcements of the Company dated 28 February 2013, 15 March 2013, 22 August 2013, 16 October 2013, 5 November 2013, 11 February 2014 and 18 February 2014, in relation to, among other things, the placing of convertible bonds in the principal amount of HK\$60,750,000 which are convertible into up to a maximum of 450,000,000 conversion shares at the conversion price of HK\$0.135 (the “**CB Placing**”). The CB Placing for all tranches was completed on 17 February 2014.

As at the Latest Practicable Date, Convertible Bonds in the principal amount of HK\$24,300,000 had been exercised and converted into 180,000,000 Shares. There are outstanding Convertible Bonds in the principal amount of HK\$36,450,000, which are convertible into up to a maximum of 270,000,000 Shares at the conversion price of HK\$0.135.

5. The share options refer to the outstanding share options under a share option scheme of the Company approved on 22 May 2008.
6. These include 1,578,125,011 conversion shares upon the full exercise of the Consideration CBs in the aggregate principal amount of HK\$1,262,560,010 to be issued to the vendors of 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, 16 June 2014 and the circular of the Company dated 11 April 2014.

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## LETTER FROM THE BOARD

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### REASONS FOR CB 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 and the provision of loan financing.

The Directors are of the view that the CB Subscription, as part of the Placing 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; while conducting FT Placing through the Convertible Bonds lent or made available by the First Vendor allowed the Company to place the FT Placing Shares in order to raise additional capital for the Company while broadening the Shareholders' base of the Company.

Having considered that (i) the CB Subscription, being part of the Placing as mentioned above, and (ii) the obligation of the Company to issue the New CB under the CB Lending and Subscription Agreement, which 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, the Directors are of the view that the granting of the Specific Mandate to issue New CB is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The gross proceeds from the CB Subscription is HK\$26,595,000. The estimated net proceeds from the CB Subscription (after deducting all related expenses) will be approximately HK\$26,560,000, and is intended to be used as general working capital for Weldtech Technology Co. Limited. The nature of such general working capital will include roll out of energy management contract projects and daily operating expenses.

### APPLICATION FOR LISTING

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

### RE-ELECTION OF RETIRING DIRECTORS

Article 110 of the Articles provides, among others, that the Directors shall have power from time to time and at any time to appoint any qualified person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election.

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## LETTER FROM THE BOARD

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Pursuant to Article 110, Ms. Diana Liu He (“**Ms. He**”) and Mrs. Chu Ho Miu Hing (“**Mrs. Chu**”) who were appointed as Directors on 29 July 2014 shall hold office only until the next following general meeting of the Company; that is, the EGM. Ms. He and Mrs. Chu being eligible, offer themselves for re-election as Director at the EGM.

Ms. He and Mrs. Chu do not have an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Brief biographical details of Ms. He and Mrs. Chu are set out in Appendix I to this circular.

### **EGM**

The EGM will be held at Guo Fu Lou, LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Wednesday, 17 September 2014, at 11:30 a.m. for the purpose of considering and, if thought fit, approving the grant of the Specific Mandate to (i) allot and issue the New Conversion Shares and (ii) allot and issue any additional New Conversion Shares pursuant to the terms and conditions as set out in the New CB Instrument from time to time and re-electing the retiring Directors. The notice convening the EGM is set out on pages 42 to 43 of this circular. A form of proxy for use at the EGM is also enclosed to this circular. Whether or not you are able to attend the EGM and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same at the Company’s registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, as soon as possible, in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish (as the case may be).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Director or Shareholder has a material interest in the proposed grant of the Specific Mandate to issue New Conversion Shares and accordingly no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM.

### **RECOMMENDATION**

The Directors consider that the proposed grant of the Specific Mandate to issue New Conversion Shares and the re-election of retiring Directors are in the interests of the Company and the Shareholders as a whole and is for the benefits of the Shareholders, and accordingly, recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.



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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

*As at the Latest Practicable Date, the biographical details of the Directors who shall retire and, being eligible, offer themselves for re-election at the EGM pursuant to the Articles and the Listing Rules, are as follow:*

**Ms. Diana Liu He**, aged 48, has more than 17 years of wealth management and financial service industry experience. Ms. He was the Managing Director of The ASEAN Development Fund, a US Dollar offshore equity fund that targets investment opportunities in infrastructure, energy and natural resources in the ASEAN countries. Previously Ms. He worked for a number of major international investment banks assuming senior executive roles, with responsibilities including developing business strategies, expanding wealth management client base, and overseeing venture capital projects in the Greater China region. Ms. He graduated from Siping Normal University, Siping, China with Bachelor's Degrees in Chemistry and Journalism in 1988, and from Brigham Young University, Laie, Hawaii with a Master's Degree in Business Administration in 1993.

The Company has entered into a service contract with Ms. He for a term of two years commencing from 29 July 2014, subject to re-election by the shareholders at the next following general meeting of the Company in accordance with the Articles. She is also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance to the Articles. Ms. He is entitled to a director's fee of HK\$2,800,000 per annum, which was determined by the Board with reference to her vast experience and her duties and responsibilities in the Company as well as prevailing market conditions.

Ms. He does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Ms. He has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years prior to the date of her appointment. Ms. He does not hold any other position with the Company or its subsidiaries, nor does she have other major appointments and professional qualifications. Ms. He does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

Save as disclosed above, the Board is not aware of any information that ought to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to (v) of the Listing Rules, nor is there any matters that ought to be brought to the attention of the Shareholders.

**Mrs. Chu Ho Miu Hing**, aged 72, has more than 40 years of experience in the securities industry. Mrs. Chu holds a Bachelor's Degree in Chemistry from Mount Holyoke College and a Bachelor's Degree in Music from New England Conservatory of Music, both in the United States. Mrs. Chu was a Council Member of the Stock Exchange from 1994 to 2000. Mrs. Chu was also a member of the Hong Kong Special Administrative Region Election Committee from 1998 to 2000. She was the vice-chairman of The Chamber of Hong Kong Listed Companies and is now a member of the general committee of the same.

The Company has entered into a letter of appointment with Mrs. Chu for a term of three years commencing from 29 July 2014, subject to re-election by the shareholders at the next general meeting of the Company in accordance with the Articles of the Company. Mrs. Chu is entitled to a director's fee of HK\$240,000 per annum, which was determined by the Board with reference to her experience and her duties and responsibilities in the Company as well as prevailing market conditions.

On or around November 2000, Mrs. Chu was publicly reprimanded by the SFC in connection with her activities as a registered securities dealer of Good Harvest Securities Company Limited ("**Good Harvest**") relating to the shares of Wah Tak Fung Holdings Limited in July 1998. In connection with this incident, Mrs. Chu had agreed not to be involved in the dealing business of Good Harvest for a period of three months from November 2000 to January 2001.

Furthermore, in November 2009, as a responsible officer and a director of Good Harvest, Mrs. Chu was, along with Good Harvest, reprimanded by the SFC for a number of internal control deficiencies of Good Harvest pursuant to an investigation of the misappropriation of client assets by a former account executive of Good Harvest and was fined for the incident.

Mrs. Chu has not held any directorships in other public listed companies in the past three years. Mrs. Chu does not hold any other position with the Company or its subsidiaries, nor does she have other major appointment or professional qualification. Mrs. Chu does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company. Mrs. Chu does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, the Board is not aware of any information that ought to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to (v) of the Listing Rules, nor is there any matters that ought to be brought to the attention of the Shareholders.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of the Hong Kong Building and Loan Agency Limited (the “**Company**”) will be held at Guo Fu Lou, LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong, at 11:30 a.m. on Wednesday, 17 September 2014 to consider and, if thought fit, pass the following resolution(s) as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. “**THAT:**
  - (a) the convertible bond lending and subscription agreement dated 27 May 2014 (the “**CB Lending and Subscription Agreement**”) (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification purpose) entered into between the Company, Sina Winner Investment Limited and FT Securities Limited with the instrument constituting the New CB to be executed by the Company in the form of deed (the “**New CB Instrument**”) (a copy of which has been produced to the meeting marked “B” and initiated by the chairman of the meeting for the purpose of identification purpose) in relation to the issuance of new convertible bonds of an aggregate principal amount of HK\$5,400,000 (the “**New CB**”), at the conversion price of HK\$0.135 (subject to adjustments) per conversion share (the “**New Conversion Shares**”) of the Company (the “**CB Subscription**”) and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) conditional upon, among others, The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the New Conversion Shares, the allotment and issuance of the New Conversion Shares pursuant and subject to the terms and conditions of the CB Lending and Subscription Agreement and the New CB Instrument be and are hereby approved; and
  - (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he or she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the CB Lending and Subscription Agreement and the New CB Instrument and the transactions contemplated thereunder, including the allotment and issuance of the New Conversion Shares upon conversion of the New CB.”
2. (i) To re-elect Ms. Diana Liu He as an executive director of the Company.
- (ii) To re-elect Mrs. Chu Ho Miu Hing as an independent non-executive director of the Company.

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

Hong Kong, 1 September 2014

*Registered Office:*

Unit F, 7/F

China Overseas Building

139 Hennessy Road

Wanchai, Hong Kong

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or any adjournment.
- (4) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the extraordinary general meeting, the meeting will be postponed. The Company will post an announcement on the Company's website <http://www.hkbla.com.hk> and the "Latest Company Announcements" page of the Stock Exchange website to notify Shareholders of the date, time and place of the rescheduled meeting
- (5) As at the date of this notice, the Board comprises Mr. So Yuen Chun and Ms. Diana Liu He 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.