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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)

**(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED AMENDMENTS TO M&A;
(3) PLACING OF OPTIONS
TO SUBSCRIBE FOR CONVERTIBLE BONDS;
AND
(4) RESUMPTION OF TRADING**

Placing Agent



FT Securities Limited

(1) PROPOSED CAPITAL REORGANISATION

The Directors will put forward a proposal to the Shareholders at the EGM to effect the Capital Reorganisation which will involve:

- (a) the Capital Reduction under which the authorised share capital of the Company will be reduced from HK\$3,000,000,000 divided into 30,000,000,000 Shares of HK\$0.10 each to HK\$300,000,000 divided into 30,000,000,000 Reduced Shares of HK\$0.01 each and that such reduction be effected by cancelling HK\$0.09 of the paid up capital on each issued Share of HK\$0.10 and reducing the par value of each issued and unissued Share in the share capital of the Company from HK\$0.10 per Share to HK\$0.01 per Reduced Share;

- (b) the Share Consolidation under which every ten (10) Reduced Shares of HK\$0.01 each will be consolidated into one (1) Adjusted Share of HK\$0.10 each; and
- (c) subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilised to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s) as the Court may direct and/or in such manners as the Board considers appropriate.

The proposed Capital Reorganisation is subject to, among others, the fulfillment of the conditions as set out under the “Conditions of the Capital Reorganisation” section below. As such, the proposed Capital Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(2) PROPOSED AMENDMENTS TO M&A

In view of the changes that would result from the completion of the Capital Reorganisation, the Board propose to amend the relevant sections in the M&A to incorporate such changes.

(3) PLACING OF OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS

On 16 April 2012 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure, on a best-effort basis, not less than six independent Placees to subscribe for up to 100 Options at a premium of HK\$6,000 per Option.

Upon exercise of each of the Options, the Optionholder is entitled to subscribe for the Convertible Bonds in the principal amount of HK\$320,000 at the Subscription Price of HK\$320,000. Assuming exercise of all of the 100 Options, the Optionholders are entitled to subscribe for, in aggregate, the Convertible Bonds in the principal amount of HK\$32,000,000 at the Subscription Price of HK\$32,000,000.

If the Convertible Bonds are issued before the Capital Reorganisation or the Capital Reorganisation does not subsequently become effective, the Convertible Bonds are convertible at the Conversion Price of HK\$0.04 or the par value of the Shares (whichever is higher) per Conversion Share.

The Conversion Price of HK\$0.10 (being the par value of the Shares as at date of this announcement) represents (i) a premium of approximately 132.6% to the closing price of HK\$0.043 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 124.2% to the closing price of HK\$0.0446 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

Upon the Capital Reorganisation having taken place before the issue of the Convertible Bonds, the Convertible Bonds are convertible at the Conversion Price of HK\$0.40 or the par value of the Adjusted Shares (whichever is higher) per Conversion Share.

The Conversion Price of HK\$0.40 represents (i) a discount of approximately 7.0% to the closing price of HK\$0.43 per Adjusted Share based on the quote on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 10.3% to the closing price of HK\$0.446 per Adjusted Share based on the quote on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

Assuming the Convertible Bonds in the principal amount of HK\$32,000,000 are converted at the Conversion Price of HK\$0.10, 320,000,000 new Shares will be allotted and issued, representing (a) approximately 7.4% of the existing issued share capital of the Company as at the date of this announcement; and (b) approximately 6.9% of the issued share capital of the Company as enlarged by the Conversion Shares.

Assuming the Capital Reorganisation is completed at the date of this announcement and that the Convertible Bonds in the principal amount of HK\$32,000,000 are converted at the Conversion Price of HK\$0.40, 80,000,000 new Adjusted Shares will be allotted and issued, representing (a) approximately 18.4% of the adjusted existing issued share capital of the Company as at the date of this announcement; and (b) approximately 15.5% of the adjusted issued share capital of the Company as enlarged by the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the General Mandate.

Subject to the outcome of the Placing, the maximum gross and net proceeds from the Placing (after deducting related expenses and prior to any exercise of the Subscription Rights) are estimated to be HK\$600,000 and approximately HK\$500,000, respectively, resulting in the net placing price of HK\$5,000 for each Option.

Assuming the exercise of the Subscription Rights of the 100 Options, the gross and net proceeds (after deducting expenses related to the subscription of the Convertible Bonds and not including any premiums obtained from the placing of the Options) from the subscription of the Convertible Bonds are estimated to be HK\$32,000,000 and approximately HK\$31,500,000, respectively, resulting in the net Conversion Price of HK\$0.098 for each Conversion Share or HK\$0.39 for each Adjusted Share (assuming Capital Reorganisation having taken place before the issue of the Convertible Bonds).

The Company intends to use the funds raised from the Placing and the subscription of the Convertible Bonds for the general working capital of the Company.

GENERAL INFORMATION

The completion of the Capital Reorganisation and the Placing are not conditional upon each other.

The proposed Capital Reorganisation and the Proposed Amendments to the M&A are subject to, among others, the approval by Shareholders by way of poll at the EGM. A circular containing further details of, among others, the Capital Reorganisation and the Proposed Amendments to the M&A together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

(4) RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 17 April 2012, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 20 April 2012.

(1) PROPOSED CAPITAL REORGANISATION

The Directors will put forward a proposal to the Shareholders at the EGM to effect the Capital Reorganisation which will involve:

- (a) the Capital Reduction under which the authorised share capital of the Company will be reduced from HK\$3,000,000,000 divided into 30,000,000,000 Shares of HK\$0.10 each to HK\$300,000,000 divided into 30,000,000,000 Reduced Shares of HK\$0.01 each and that such reduction be effected by cancelling HK\$0.09 of the paid up capital on each issued Share of HK\$0.10 and reducing the par value of each issued and unissued Share in the share capital of the Company from HK\$0.10 per Share to HK\$0.01 per Reduced Share;
- (b) the Share Consolidation under which every ten (10) Reduced Shares of HK\$0.01 each will be consolidated into one (1) Adjusted Share of HK\$0.10 each; and
- (c) subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilised to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s) as the Court may direct and/or in such manners as the Board considers appropriate.

The proposed Capital Reduction will be effected pursuant to the Companies Ordinance and the articles of association of the Company.

The Capital Reduction

As at the date of this announcement, the authorised share capital of the Company was HK\$3,000,000,000 divided into 30,000,000,000 Shares and the issued share capital of the Company was HK\$435,148,866.70 divided into 4,351,488,667 Shares that are fully paid.

The Board proposes the Capital Reduction such that the authorised share capital of the Company will be reduced from HK\$3,000,000,000 divided into 30,000,000,000 Shares of HK\$0.10 each to HK\$300,000,000 divided into 30,000,000,000 Reduced Shares of HK\$0.01 each by cancelling the issued and paid up capital to the extent of HK\$0.09 on each of the Share in issue as at the date of this announcement and any further Shares which may be issued prior to the date on which the petition for the confirmation of the Capital Reduction is heard by the Court and by reducing the par value of all the issued and unissued Shares from HK\$0.10 to HK\$0.01 each.

Assuming no further Shares will be issued or repurchased between the date of this announcement and before the Capital Reduction becoming effective, based on 4,351,488,667 Shares in issue as at the date of this announcement, upon completion of the proposed Capital Reduction, the issued share capital of the Company will be reduced from HK\$435,148,866.70 divided into 4,351,488,667 Shares to HK\$43,514,886.67 divided into 4,351,488,667 Reduced Shares, giving rise to a total credit of HK\$391,633,980.03.

Share Consolidation

Upon the Capital Reduction becoming effective, every ten (10) Reduced Shares will be consolidated into one (1) Adjusted Share. Accordingly, the authorised share capital of the Company will then be changed from HK\$300,000,000 divided into 30,000,000,000 Reduced Shares to HK\$300,000,000 divided into 3,000,000,000 Adjusted Shares upon completion of the Share Consolidation. On the same assumption as above, based on 4,351,488,667 Shares in issue as at the date of this announcement, the issued share capital of the Company will then be changed to HK\$43,514,886.60 divided into 435,148,866 Adjusted Shares upon completion of the Share Consolidation.

Any fraction of the Adjusted Shares arising from the Share Consolidation will not be issued to the Shareholders, but will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid.

Board Lot Size

Upon the proposed Capital Reorganisation becoming effective, the board lot size of the Adjusted Shares for trading on the Stock Exchange will remain unchanged at 8,000 Adjusted Shares per board lot, which is the same board lot size for trading of the Shares on the Stock Exchange before the Capital Reorganisation becoming effective.

Listing and Dealings of the Adjusted Shares

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation (the “**Listing Approval**”). Subject to the granting of the Listing Approval, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from a date determined by HKSCC.

The following table sets out the effect of the proposed Capital Reorganisation on the share capital of the Company; that is, immediately before and after the implementation of the proposed Capital Reorganisation:

	As at the date of this announcement	Immediately after the Capital Reduction becoming effective but before the Share Consolidation becoming effective (Note 1)	Immediately after the Capital Reduction and the Share Consolidation becoming effective (Note 1)
Par value of each share	HK\$0.10	HK\$0.01	HK\$0.10
Amount of authorised share capital	HK\$3,000,000,000	HK\$300,000,000	HK\$300,000,000
Number of authorised shares	30,000,000,000	30,000,000,000	3,000,000,000
Amount of issued and fully paid-up share capital (Note 2)	HK\$435,148,866.70	HK\$43,514,886.67	HK\$43,514,886.60
Number of issued shares (Note 2)	4,351,488,667	4,351,488,667	435,148,866

Notes:

1. The issued share capital immediately after the proposed Capital Reorganisation becoming effective is presented on the assumption that no further Shares would be issued or repurchased between the date of this announcement and before the Capital Reorganisation becoming effective.
2. Fractional Adjusted Shares will not be issued to Shareholders, but will be aggregated and, if possible, sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

Share Premium Account

Subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilised to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s) as the Court may direct and/or in such manners as the Board considers appropriate.

CONDITIONS OF THE CAPITAL REORGANISATION

The Capital Reorganisation will be conditional upon the satisfaction of the following conditions:

- (a) the passing of the Shareholders' Resolution at the EGM to approve the Capital Reorganisation;
- (b) the Confirming Order being granted by the Court approving the Shareholders' Resolution in relation to Capital Reduction and completion of the registration of the Confirming Order together with the Shareholder's Resolution at the Registrar of Companies in Hong Kong;
- (c) the Listing Committee of the Stock Exchange granting the listing approval of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation; and
- (d) the compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction.

Assuming all these conditions are fulfilled, the Capital Reorganisation will become effective upon the registration of the Confirming Order together with the Shareholders' Resolution in relation to Capital Reduction.

As the Capital Reduction will only become effective upon the Court granting the Confirmation Order and registration of the same with the Companies Registry. The effective date of the Capital Reorganisation is not ascertainable as at the date of this announcement as the Capital Reduction, which forms part of the Capital Reorganisation, will depend upon the timetable of the Court. It is anticipated that the Capital Reorganisation may become effective in August 2012. The Company will issue an announcement in respect of the timetable for implementation of the Capital Reorganisation as soon as practicable.

An application will be made to the Court for approval of the proposed Capital Reduction after the Capital Reorganisation is approved by the Shareholders at the EGM. An application will also be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Company will issue an announcement in respect of the result of the EGM and, further announcement(s) (if any) will be made to inform the Shareholders of the progress of the Capital Reorganisation as and when appropriate.

The proposed Capital Reorganisation is subject to, among others, the fulfillment of the conditions as set out under the “Conditions of the Capital Reorganisation” section. As such, the proposed Capital Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

EFFECTS OF THE PROPOSED CAPITAL REORGANISATION

Business

It is not within the reasonable anticipation of the Company that the business, management or operation of the Group will be changed and/or affected as a result of the implementation of the proposed Capital Reorganisation.

Financial Position

Implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, liabilities or financial position of the Company and the Group, except for payment of the related expenses. The Directors believe that the Capital Reorganisation will not have any adverse effect on the financial position of the Group.

Rights of the Shareholders

Upon the Capital Reorganisation becoming effective, the Adjusted Shares will rank *pari passu* in all respects with each other.

The proportionate interests and the voting rights of the Shareholders in the Company will not be affected by the Capital Reorganisation. Any fraction of the Adjusted Shares arising from the Capital Reorganisation will not be issued to the Shareholders but will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

Convertible Bonds

As at the date of this announcement, there are outstanding convertible bonds in the principal amount of HK\$78,720.00. Upon completion of the Capital Reorganisation, the conversion price and/or the number of Adjusted Shares falling to be issued upon exercise of the conversion rights attached to the convertible bonds will be adjusted in accordance with the instrument creating the convertible bonds. The Company will make further announcement about the adjustments.

Warrants

As at the date of this announcement, there are 552,000,000 outstanding warrants that will expire on 21 June 2012, a date before the expected completion of the Capital Reorganisation. As such, the Company does not contemplate any adjustment will be required in this regard.

Save for the convertible bonds and the warrants as stated above, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Exchange of Share Certificates Arrangement

Subject to the Capital Reorganisation becoming effective, the Shareholders may submit existing certificates for the Shares to the Company's share registrar and transfer office, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for exchange, at the expense of the Company, for new certificates for the Adjusted Shares.

Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time-to-time be specified by the Stock Exchange) for each certificate issued or cancelled, whichever is higher. Certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Adjusted Shares at any time at the expense of the Shareholders.

Fractional Shares and Odd Lot Arrangements

Fractional Adjusted Shares will be disregarded and will not be issued to the Shareholders, but all such fractional Adjusted Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Adjusted Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares, the Company will procure an arrangement with an agent to stand in the market to provide matching services for the odd lots of the Adjusted Shares on a best-effort basis. Further details in respect of the odd lots arrangement and the new share certificates will be set out in the circular of the Company to be despatched to the Shareholders.

(2) PROPOSED AMENDMENTS TO M&A

In view of the changes that would result from completion of the Capital Reorganisation, the Board propose to amend the relevant sections in the M&A to incorporate such changes (the “**Proposed Amendments to the M&A**”). The Proposed Amendments to the M&A is as follows:–

- to amend the authorised share capital from HK\$3,000,000,000 divided into 30,000,000,000 Shares of HK\$0.10 each to HK\$300,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.10 each.

Other corresponding minor amendments may also be made to the articles of association of the Company to accord with the above amendment to the memorandum of association of the Company. The approval for the Proposed Amendment to the M&A will be sought from the Shareholders by way of special resolution(s) at the EGM.

(3) PLACING OF OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS

The Placing Agreement

Date: 16 April 2012 (after trading hours)

Parties: (a) The Company, as issuer; and
(b) FT Securities Limited, as the Placing Agent

The Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure, on a best-effort basis, not less than six independent Placees to subscribe for up to 100 Options at a premium of HK\$6,000 per Option. Upon exercise of each of the Option, the Optionholder is entitled to subscribe for the Convertible Bonds in the principal amount of HK\$320,000 at the Subscription Price of HK\$320,000.

The Placing Agent

As at date of this announcement, the Placing Agent is 33% beneficially owned by CGI (HK) Limited. CGI (HK) Limited is a shareholder of the Company with approximately 8.92% equity interest. Mr. So Yuen Chun is a director of the Company, the Placing Agent, CGI (HK) Limited and the holding company of CGI (HK) Limited. He is also the company secretary of the Company. Mr. Yeung Kwok Leung is a director of the Company, the Placing Agent and the holding company of the Placing Agent. The Placing Agent is also 2% beneficially owned by Major Chance Limited. Mr. Ng Cheuk Fan, Keith is a director of the Company and the holding company of Major Chance Limited. Save for the abovementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its respective ultimate beneficial owners are third parties independent of the Group and its connected persons.

Placees

The Options will be placed to not less than six Placees who are independent institutional or private investors. The Placing Agent will use their reasonable endeavours to ensure that (a) it will not offer or place any of the Options to or with any person, firm or company which is a connected person (as defined in the Listing Rules) of the Company other than in the situation where consent from the Stock Exchange has been obtained and in compliance with the Listing Rules; (b) each and every Placee shall execute a separate option subscription agreement (the “**Option Subscription Agreement**”); and (c) each and every Placee shall settle the premium upon execution of the Option Subscription Agreement for grant of the Option.

Placing Commission

The Placing Agent has been appointed to place the Options on a best-effort basis and will receive a placing commission of 10% on the premiums of the Options successfully placed which was arrived at after arm’s length negotiations between the Company and the Placing Agent.

Option Premium and the Subscription Price

The premium is HK\$6,000 per Option. Upon exercise of each of the Option, the Optionholder is entitled to subscribe for the Convertible Bonds in the principal amount of HK\$320,000 at the Subscription Price of HK\$320,000. Assuming exercise of all of the 100 Options, the Optionholders are entitled to subscribe for, in aggregate, the Convertible Bonds in the principal amount of HK\$32,000,000 at the Subscription Price of HK\$32,000,000.

Number of Options

Up to a total of 100 Options.

Validity and Exercise Period of Options

24 months commencing from the date of granting the Options (both days inclusive).

Transferability of the Options

The Options and the Subscription Rights are not transferable.

The Option Subscription Agreement

The Placing Agent shall procure each of the Placees to execute a separate Option Subscription Agreement with the Company and pay for the relevant premiums.

Conditions Precedent

The obligations of the Placing Agent under the Placing Agreement in respect of the Placing are conditional upon:

- (a) the Placing Agent successfully procuring Placee(s) ready, willing and able to accept grant of, or to be granted, the Option(s) during the Placing Period (or such later time and date as the Placing Agent and the Company shall agree in writing);
- (b) the Company's compliance with and procurement of the compliance of all conditions imposed by the Stock Exchange and by any other competent authority (in Hong Kong or elsewhere) for approval of the issuance of the Option and the Convertible Bonds and for the listing of and permission to deal in the Conversion Shares issued or to be issued on the exercise of the Convertible Bonds and ensure the continued compliance thereof (provided in each case that the Placee(s) comply with and satisfies all such conditions); and
- (c) the warranties in the Placing Agreement are, and shall remain, binding and effective.

If the conditions referred to above are not fulfilled prior to expiry of the Placing Period (or such later date as may be agreed between the Company and the Placing Agent in writing), the Placing Agreement will lapse and become null and void and the parties thereof shall be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

Principal Terms of the Convertible Bonds

Issuer of the Convertible Bonds: The Company

Principal amount: HK\$32,000,000

Conversion Price: (1) If the Convertible Bonds are issued before the Capital Reorganisation or the Capital Reorganisation does not subsequently become effective, the Convertible Bonds are convertible at the Conversion Price of HK\$0.04 or the par value of the Shares (whichever is higher) per Conversion Share.

The Conversion Price of HK\$0.10 (being the par value of the Shares as at the date of this announcement) represents:

- (i) a premium of approximately 132.6% to the closing price of HK\$0.043 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 124.2% to the closing price of HK\$0.0446 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

- (2) Upon the Capital Reorganisation having taken place before the issue of the Convertible Bonds, the Convertible Bonds are convertible at the Conversion Price of HK\$0.40 or the par value of the Adjusted Shares (whichever is higher) per Conversion Share.

The Conversion Price of HK\$0.40 represents:

- (i) a discount of approximately 7.0% to the closing price of HK\$0.43 per Adjusted Share based on the quote on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 10.3% to the closing price of HK\$0.446 per Adjusted Share based on the quote on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market prices of the Shares and the liquidity of the Shares. The Directors are of the view that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Anti-dilution adjustments:

The Conversion Price shall from time to time be adjusted upon the occurrence of certain events including, but not limited to, the followings:

- (i) consolidation and subdivision;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) issue of Shares by way of rights;
- (v) issue of other securities by way of rights;
- (vi) issue of Shares other than by way of rights;
- (vii) issue of Shares upon conversion or exchange;
- (viii) modification of rights of conversion or exchange; and
- (ix) offers for Shares.

Conversion Shares:

Assuming the Convertible Bonds in the principal amount of HK\$32,000,000 are converted at the Conversion Price of HK\$0.10, 320,000,000 new Shares will be allotted and issued, representing (a) approximately 7.4% of the existing issued share capital of the Company as at the date of this announcement; and (b) approximately 6.9% of the issued share capital of the Company as enlarged by the Conversion Shares.

Assuming the Capital Reorganisation is completed as at date of this announcement and that the Convertible Bonds in the principal amount of HK\$32,000,000 are converted at the Conversion Price of HK\$0.40, 80,000,000 new Adjusted Shares will be allotted and issued, representing (a) approximately 18.4% of the adjusted existing issued share capital of the Company as at the date of this announcement; and (b) approximately 15.5% of the adjusted issued share capital of the Company as enlarged by the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the General Mandate. Up to the date of this announcement, no Shares have been issued under the General Mandate. No Shareholders' approval is required for the allotment and issue of the Conversion Shares.

Interest:	Interest at a coupon rate of 10% per annum on the outstanding principal amount of the Convertible Bond calculated from the initial date of issue of the Convertible Bonds to and including the Maturity Date (as defined below). The Interest shall be calculated on the basis of a 365-day year.
Maturity Date:	30 April 2015
Conversion Rights:	<p>Each holder of the Convertible Bonds shall have the right, exercisable during the Conversion Period (as defined below) to convert the whole or any part (in multiples of HK\$320,000.00) of the outstanding principal amount of the Convertible Bonds held by such holder of Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.</p> <p>No fraction of a Share shall be issued on conversion of the Convertible Bonds. The Company shall pay a cash amount in HK\$ equal to such amount of Convertible Bonds that is not converted.</p>
Limitations on conversion of the Convertible Bonds:	A holder of the Convertible Bonds shall not exercise any Conversion Rights if, as a result of such exercise, it will cause the public float of the Company to be unable to meet the relevant requirements under the Listing Rules.

A holder of the Convertible Bonds shall not exercise any Conversion Rights, and the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, the holder of the Convertible Bonds and/or parties acting in concert with it would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for the Shares held by the Company's other Shareholders.

Redemption:

Redemption of the Convertible Bonds at maturity

All Convertible Bonds which have not been redeemed or converted in accordance with the terms and conditions of the Convertible Bond Instrument by the Maturity Date, shall, at the absolute discretion of the Company (and regardless of whether or not the holders of the Convertible Bonds concerned have requested for conversion of any or all such Convertible Bonds into the Shares), either redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds, or be converted into Shares.

Redemption on default

If any of the events (“**Events of Default**”) specified below occur, the Company shall forthwith give notice thereof to the holders of the Convertible Bonds and each holder of the Convertible Bonds may (without prejudice to any other rights and remedies available to the holders of the Convertible Bonds), at its option, opt to convert their Convertible Bonds in its entirety or, alternatively, give a notice of redemption to the Company in respect of part or all of the Convertible Bonds held by it, whereupon such Convertible Bonds shall become immediately due and payable at a redemption amount equal to 100% of the principal amount of such Convertible Bonds. For any avoidance of doubt, there shall not be any redemption by any holder of the Convertible Bonds prior to the Maturity Date unless an Event of Default occurs. The Events of Default are as follows:–

- (i) any failure to pay the principal of the Convertible Bonds when due and such failure continues for a period of seven (7) Business Days in the case of principal or ten (10) Business Days in the case of interest;
- (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 and interest in respect of the Convertible Bonds) 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 (15) Business Days of service by any holder of the Convertible Bonds 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 major subsidiaries as defined in the Convertible Bond Instrument (“**Major Subsidiaries**”) for or in respect of any bonds, debentures, notes or similar instruments 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 Major 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 Major 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\$100,000,000 or its equivalent in any other currency provided that the provisions of this paragraph (iii) shall not apply to any alleged default if the Company or the relevant Major Subsidiary, as the case may be, is contesting the matter in good faith;

- (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 holders of the Convertible Bonds;

- (v) a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any Major 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 of the Company (“**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 holders of the Convertible Bonds, or (c) by way of a voluntary winding up or dissolution where there are surplus assets in such Major 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 Major Subsidiary;
- (vii) a distress, execution or seizure order before judgement 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 Major Subsidiary (as the case may be) and is not discharged or stayed within thirty (30) Business Days or such longer period as the holder of the Convertible Bonds, by a resolution of the holders of the Convertible Bonds, may consider appropriate in relation to the event concerned;
- (viii) the Company or any of its Major Subsidiaries is insolvent or unable to pay its debts as and when they fall due or the Company or any of its Major 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 Major Subsidiary under any applicable bankruptcy, reorganisation or insolvency law, and such proceedings shall not have been discharged or stayed within fifteen (15) Business Days thereafter (or such longer period as the holders of the Convertible Bonds(s) by a resolution of the holders of the Convertible Bonds 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 Convertible Bond Instrument or any Convertible Bonds, or due to no fault on the part of any holder of the Convertible Bonds 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 Major Subsidiaries;

(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 Convertible Bonds or the Convertible Bond Instrument, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Convertible Bonds or the Convertible Bond 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 holders of the Convertible Bonds in reliance of which the holder(s) of the Convertible Bonds subscribes to the Convertible Bonds; 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 date of issue of the Convertible Bonds and ending on the date which falls on the fifth Business Day before the Maturity Date, both dates inclusive.

Ranking:	Shares issued upon exercise of the Conversion Rights shall rank <i>pari passu</i> in all respects with all other existing Shares outstanding at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.
Transferability:	Any transfer of the Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$320,000.00) of the outstanding principal amount of the Convertible Bonds.
Application for listing:	No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

COMPLETION

Subject to fulfillment of the conditions precedent as detailed above, completion of the Placing shall take place within five (5) Business Days after the conditions of the Placing have been fulfilled prior to expiry of the Placing Period (or such other time and/or date as the Company and the Placing Agent may agree in writing).

Termination of the Placing Agreement

If at any time prior to 10:00 a.m. on the Business Day immediately prior to the date of completion of the Placing Agreement:

- (i) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the opinion of the Placing Agent and in its absolute discretion may materially and adversely affect the business or financial condition or prospects of the Group as a whole; or

- (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the sole opinion of the Placing Agent and in its absolute discretion will, or may be expected to, have a material adverse effect on the Placing; or
 - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the sole opinion of the Placing Agent and in its absolute discretion has or may have a material adverse effect on the Placing; or
- (ii) any breach of any of the warranties in the Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing;

then and in any such case, the Placing Agent may, in its sole and absolute discretion, terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to the date of completion of the Placing Agreement.

In the event that the Placing Agreement is terminated pursuant to the paragraph above, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breaches.

Fund raising activities which have been announced by the Company during the past 12 months immediately preceding the date of this announcement

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement(s)	Actual use of proceeds
18 October 2011, 30 November 2011, 9 January 2012, 12 January 2012 and 22 March 2012	Placing of new Shares under specific mandate	Approximately HK\$902 million	To be used for (i) settlement of the cash consideration for a very substantial acquisition and referral fees; (ii) as working capital for the rollout of business of the enlarged Group after the very substantial acquisition; and (iii) as general working capital of the Group	– <i>(note 1)</i>
9 June 2011, 20 July 2011 and 30 September 2011	Placing of new Shares under specific mandate	Approximately HK\$958 million	To be used for (i) settlement of the cash consideration for a very substantial acquisition and referral fees; (ii) as working capital for the rollout of business of the enlarged Group after the very substantial acquisition; and (iii) as general working capital of the Group	– <i>(note 2)</i>

Notes:

- Such placing of new Shares did not proceed and the relevant placing agreement was terminated on 21 March 2012.
- Such placing of new Shares did not proceed and the relevant placing agreement lapsed on 30 September 2011.

Shareholding structure of the Company

Assuming all the 100 Options are placed under the Placing Agreement, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after conversion of the Convertible Bonds at the Conversion Price of HK\$0.10 (assuming the Conversion Shares being issued before completion of the Capital Reorganisation); and (iii) immediately after (a) conversion of the Convertible Bonds at the Conversion Price of HK\$0.10 (assuming the Conversion Shares being issued before completion of the Capital Reorganisation) and (b) completion of the Capital Reorganisation will be as follows:

	(i) as at the date of this announcement		(ii) immediately after conversion of the Convertible Bonds at the Conversion Price of HK\$0.10 (assuming the Conversion Shares being issued before completion of the Capital Reorganisation)		(iii) immediately after (a) conversion of the Convertible Bonds at the Conversion Price of HK\$0.10 (assuming the Convertible Shares being issued before completion of the Capital Reorganisation) and (b) completion of the Capital Reorganisation	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
CGI (HK) Limited	388,000,000	8.92%	388,800,000	8.31%	38,800,000	8.31%
Holders of the Convertible Bonds	–	–	320,000,000	6.85%	32,000,000	6.85%
Other public Shareholders	3,963,488,667	91.08%	3,963,488,667	84.84%	396,348,866	84.84%
Total	4,351,488,667	100%	4,671,488,667	100%	467,148,866	100%

Assuming all the 100 Options are placed under the Placing Agreement, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Capital Reorganisation; and (iii) immediately after completion of Capital Reorganisation and conversion of the Convertible Bonds at the Conversion Price of HK\$0.40 (being the higher of HK\$0.40 and the par value of the Adjusted Shares) will be as follows:

	(i) As at the date of this announcement		(ii) immediately after completion of the Capital Reorganisation		(iii) immediately after completion of Capital Reorganisation and conversion of the Convertible Bonds at the Conversion Price of HK\$0.40	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
CGI (HK) Limited	388,000,000	8.92%	38,800,000	8.92%	38,800,000	7.53%
Holders of the Convertible Bonds	–	–	–	–	80,000,000	15.53%
Other public Shareholders	3,963,488,667	91.08%	396,348,866	91.08%	396,348,866	76.94%
Total	4,351,488,667	100%	435,148,866	100%	515,148,866	100%

USE OF PROCEEDS

Subject to the outcome of the Placing, the maximum gross and net proceeds from the Placing (after deducting related expenses and prior to any exercise of the Subscription Rights) are estimated to be HK\$600,000 and approximately HK\$500,000, respectively, resulting in the net placing price of HK\$5,000 for each Option.

Assuming the exercise of the Subscription Rights of the 100 Options, the gross and net proceeds (after deducting expenses related to the subscription of the Convertible Bonds and not including any premiums obtained from the placing of the Options) from the subscription of the Convertible Bonds are estimated to be HK\$32,000,000 and approximately HK\$31,500,000, respectively, resulting in the net Conversion Price of HK\$0.098 for each Conversion Share or HK\$0.39 for each Adjusted Share (assuming Capital Reorganisation having taken place before the issue of the Convertible Bonds).

The Company intends to use the funds raised from the Placing and the subscription of the Convertible Bonds for the general working capital of the Company.

REASONS FOR THE PROPOSED CAPITAL REORGANISATION AND THE PLACING

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 Capital Reduction will enable the Company to apply the credit arising from the Capital Reduction to eliminate its accumulated loss. It can also increase the flexibility for raising new funds in future by means of issuance of new shares of the Company. According to the audited financial statements of the Company for the year ended 31 December 2011, the Company's share premium account and the accumulated losses account stood at approximately HK\$54.12 million and HK\$121.45 million, respectively. Accordingly, the Directors consider that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

In respect of the Placing, the Directors consider that, in addition to the maximum gross proceeds of HK\$600,000 which may be received under the Placing Agreement, the grant of the Options provides a good opportunity for the Company to raise additional capital should the Optionholders opt to exercise their Options and subscribe for the Convertible Bonds. Moreover, the grant of the Options and the subscription of Convertible Bonds may not have an immediate dilution effect on the shareholding of the existing Shareholders as compared to issue of Shares. As such, the Directors are of the view that the terms of the Placing Agreement, which were arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

The completion of the Capital Reorganisation and the Placing are not conditional upon each other.

The proposed Capital Reorganisation and the Proposed Amendments to the M&A are subject to, among others, the approval by Shareholders by way of poll at the EGM. A circular containing further details of, among others, the Capital Reorganisation and the Proposed Amendments to the M&A together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

(4) RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 17 April 2012, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 20 April 2012.

DEFINITIONS

The following defined terms are used in this announcement:

“Adjusted Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Reduction”	the proposed reduction of the share capital of the Company including the cancellation of the paid up capital to the extent of HK\$0.09 of each Share in issue from HK\$0.10 to HK\$0.01 and the reduction of the par value of all the issued and unissued Shares from HK\$0.10 each to HK\$0.01 each
“Capital Reorganisation”	the Capital Reduction and the Share Consolidation
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated under the laws of Hong Kong with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Confirming Order”	an order issued by the Court pursuant to Section 59(1) of the Companies Ordinance confirming the Capital Reduction
“Convertible Bonds”	the convertible bonds in the maximum principal amount of HK\$32,000,000 to be issued by the Company convertible into not more than 320,000,000 Conversion Shares at the Conversion Price

“Convertible Bond Instrument”	the instrument under and pursuant to which the Convertible Bonds shall be created and issued, which instrument shall be executed by the Company by way of a deed poll
“Conversion Shares”	new Shares (or new Adjusted Shares) to be allotted and issued on the exercise of the subscription rights attaching to the Convertible Bonds
“Conversion Price”	HK\$0.04 or the par value of the Shares (whichever is higher) per Conversion Share. Upon the Capital Reorganisation having taken place before the execution of the Convertible Bond Instrument, the Conversion Price shall be HK\$0.40 or the par value of the Adjusted Share (whichever is higher) per Conversion Share
“Court”	the High Court of Hong Kong
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, pass the resolutions to approve, among others, the proposed Capital Reorganisation and the Proposed Amendments to the M&A
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with Shares at the annual general meeting of the Company held on 17 May 2011 of up to 810,531,241 Shares.
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party”	parties which are not connected persons of the Company (as defined in the Listing Rules) and are independent of the Company and its connected persons
“Last Trading Day”	16 April 2012, being the last trading day of the Shares on the Stock Exchange prior to the release of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	the memorandum and articles of association of the Company
“Option(s)”	up to a total of 100 options to be granted by the Company to the Placees who, upon completion of the Placing, are entitled to subscribe for the Convertible Bonds in the principal amount of HK\$320,000 per option pursuant to the Placing Agreement
“Option Subscription Agreement”	a separate option agreement(s) to be entered into between the Company and the Placee(s), pursuant to which the Company agrees to grant to Placee(s) the Options and the Placee(s) agrees to subscribe for the Convertible Bonds at the Subscription Price under the terms and conditions of the instrument of the Option
“Optionholder(s)”	the holder(s) of the Option
“Placee(s)”	any individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent to subscribe for any of the Options pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Options by or on behalf of the Placing Agent to the Placees pursuant to the Placing Agreement

“Placing Agent”	FT Securities Limited, a corporate licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 16 April 2012 and entered into between the Company and the Placing Agent in respect of the Placing
“Placing Period”	the period commencing upon the execution of the Placing Agreement and terminating at 5:00 p.m. on the day falling on 60 Business Days after the date of execution of the Placing Agreement, unless terminated earlier in writing
“Reduced Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company immediately after the Capital Reduction but before the Share Consolidation becoming effective
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every ten Reduced Shares of HK\$0.01 each into one Adjusted Share of HK\$0.10 each
“Shareholder(s)”	the holder(s) of the issued Shares
“Shareholders’ Resolution”	a special resolution approving the Capital Reduction and the Share Consolidation to be passed by the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	HK\$320,000 upon exercise of each Option, being the subscription price of the Convertible Bonds in the principal amount of HK\$320,000
“Subscription Right(s)”	the right(s) of the Optionholder(s) represented by the Options to subscribe for the Convertible Bonds in principal amount of the HK\$320,000 or any multiple thereof pursuant to the Options
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 19 April 2012

As at the date of this announcement, the Board comprises Mr. So Yuen Chun and Mr. Yeung Kwok Leung being executive Directors; Mr. Lam Kwok Hing, Wilfred being non-executive Director; and Mr. Ng Cheuk Fan, Keith, Mr. Yeung Wai Hung, Peter and Mr. Lam Raymond Shiu Cheung being independent non-executive Directors.