

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**LAPSE OF FIRST PLACING AGREEMENT
AND
PLACING OF OPTIONS TO
SUBSCRIBE FOR CONVERTIBLE BONDS**

Placing Agent



FT Securities Limited

LAPSE OF THE FIRST PLACING AGREEMENT

Reference is made to the announcement of the Company dated 19 April 2012 in relation to, among others, the placing of options to subscribe for convertible bonds and the proposed Capital Reorganisation.

Owing to the current volatile market sentiment, the placing of options has not taken place by the long stop date of the First Placing Agreement on 11 July 2012. Accordingly, the First Placing Agreement lapsed and the placing of options under the First Placing Agreement will not proceed.

PLACING OF OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS

On 24 July 2012 (after trading hours), the Company and the Placing Agent entered into the Second 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\$7,830 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\$156,600 at the Subscription Price of HK\$156,600. 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 up to HK\$15,660,000 at the Subscription Price of HK\$15,660,000.

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\$0.018 or the par value of the Shares (whichever is higher) per Conversion Share.

The Conversion Price of HK\$0.10 (being the higher of HK\$0.018 and the par value of the Shares as at the date of this announcement) represents (i) a premium of approximately 455.56% to the closing price of HK\$0.018 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 426.32% to the average closing price of HK\$0.019 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Second 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\$0.18 or the par value of the Shares (whichever is higher) per Conversion Share.

The Conversion Price of HK\$0.18, (being the higher of HK\$0.18 and the par value of the Adjusted Share) represents (i) no discount or premium to the closing price of HK\$0.18 per Adjusted Share based on the quote on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 5.26% to the average closing price of HK\$0.19 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 Second Placing Agreement.

Assuming the Convertible Bonds in the principal amount of up to HK\$15,660,000 are converted at the Conversion Price of HK\$0.10, a maximum of 156,600,000 new Shares will be allotted and issued, representing (a) approximately 3.60% of the existing issued share capital of the Company as at the date of this announcement; and (b) approximately 3.47% of the issued share capital of the Company as enlarged by the Conversion Shares.

Assuming the Capital Reorganisation is completed as at the date of this announcement and that the Convertible Bonds in the principal amount of up to HK\$15,660,000 are converted at the Conversion Price of HK\$0.18, a maximum of 87,000,000 new Adjusted Shares will be allotted and issued, representing (a) approximately 19.99% of the adjusted existing issued share capital of the Company as at the date of this announcement; and (b) approximately 16.66% 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 Second Placing, the maximum gross and net proceeds from the Second Placing (after deducting related expenses and prior to any exercise of the Subscription Rights) are estimated to be HK\$783,000 and approximately HK\$653,000, respectively, resulting in the net placing price of HK\$6,530 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\$15,660,000 and approximately HK\$15,360,000, respectively, resulting in the net Conversion Price of approximately HK\$0.098 for each Conversion Share or approximately HK\$0.177 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 Second Placing and the subscription of the Convertible Bonds for the general working capital of the Company.

LAPSE OF THE FIRST PLACING AGREEMENT

Reference is made to the announcement of the Company dated 19 April 2012 in relation to, among others, the placing of options to subscribe for convertible bonds and the proposed Capital Reorganisation.

Owing to the current volatile market sentiment, the placing of options has not taken place by the long stop date of the First Placing Agreement on 11 July 2012. Accordingly, the First Placing Agreement lapsed and the placing of options under the First Placing Agreement will not proceed.

PLACING OF OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS

The Second Placing Agreement

Date: 24 July 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\$7,830 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\$156,600 at the Subscription Price of HK\$156,600.

The Placing Agent

As at the 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 8.04% 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 Placee(s) 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 in cash or by cashier order 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\$7,830 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\$156,600 at the Subscription Price of HK\$156,600. 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 up to HK\$15,660,000 at the Subscription Price of HK\$15,660,000.

Number of Options

Up to a total of 100 Options.

Validity and Exercise Period of Options

Commencing from the date of execution of the Option Instrument up to and including 31 July 2014 (both days inclusive).

Transferability of the Options

The Options and the Subscription Rights are 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 Second 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 Second 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 Second 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: Up to HK\$15,660,000

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\$0.018 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 455.56% to the closing price of HK\$0.018 per Share as quoted on the Stock Exchange on the Last Trading Day; and
 - (ii) a premium of approximately 426.32% to the closing average price of HK\$0.019 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Second 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\$0.18 or the par value of the Shares (whichever is higher) per Conversion Share.

The Conversion Price of HK\$0.18 represents:

- (i) no discount or premium to the closing price of HK\$0.18 per Adjusted Share based on the quote on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 5.26% to the average closing price of HK\$0.19 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 Second 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. 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 up to HK\$15,660,000 are converted at the Conversion Price of HK\$0.10, a maximum of 156,600,000 new Shares will be allotted and issued, representing (a) approximately 3.60% of the existing issued share capital of the Company as at the date of this announcement; and (b) approximately 3.47% of the issued share capital of the Company as enlarged by the Conversion Shares.

Assuming the Capital Reorganisation is completed as at the date of this announcement and that the Convertible Bonds in the principal amount of up to HK\$15,660,000 are converted at the Conversion Price of HK\$0.18, a maximum of 87,000,000 new Adjusted Shares will be allotted and issued, representing (a) approximately 19.99% of the adjusted existing issued share capital of the Company as at the date of this announcement; and (b) approximately 16.66% 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: The Convertible Bonds shall bear 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: 31 December 2015

Conversion Rights: 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\$156,600.00) 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.

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.

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 the Share.

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 (the “**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 holder(s) of the Convertible Bonds 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 (5th) Business Day before the Maturity Date, both dates inclusive.
- Ranking: Shares issued upon exercise of the Conversion Rights shall rank *pari passu* 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\$156,600.00) 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 Second Placing shall take place within five (5) Business Days after the conditions of the Second 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 Second 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 Second 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 of the Second Placing Agreement) 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 Second 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 Second Placing; or
- (ii) any breach of any of the warranties in the Second Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Second Placing, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Second Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Second Placing;

then and in any such case, the Placing Agent may, in its sole and absolute discretion, terminate the Second 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 Second Placing Agreement.

In the event that the Second Placing Agreement is terminated pursuant to the paragraph above, all obligations of each of the parties under the Second 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 Second 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
19 April 2012	Placing of options to subscribe for convertible bonds	Approximately HK\$500,000	To be used for general working capital of the Company	– <i>(note 1)</i>
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 2)</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 3)</i>

Notes:

1. Such placing of options did not proceed and the First Placing Agreement lapsed on 11 July 2012.
2. Such placing of new Shares did not proceed and the relevant placing agreement was terminated on 21 March 2012.
3. 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 Second 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 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 Conversion Shares being issued before completion of the Capital Reorganisation) and (b) completion of the Capital Reorganisation	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
CGI (HK) Limited	350,000,000	8.04%	350,000,000	7.77%	35,000,000	7.77%
Holder of the Convertible Bonds	–	–	156,600,000	3.47%	15,660,000	3.47%
Other public Shareholders	4,001,488,667	91.96%	4,001,488,667	88.76%	400,148,866	88.76%
Total	4,351,488,667	100%	4,508,088,667	100%	450,808,866	100%

Assuming all the 100 Options are placed under the Second 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 the Capital Reorganisation and conversion of the Convertible Bonds at the Conversion Price of HK\$0.18 (being the higher of HK\$0.18 and the par value of the Adjusted Share) will be as follows:

	(i) As at date of this announcement		(ii) immediately after completion of the Capital Reorganisation		(iii) immediately after completion of the Capital Reorganisation and conversion of the Convertible Bonds at the Conversion Price of HK\$0.18	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
CGI (HK) Limited	350,000,000	8.04%	35,000,000	8.04%	35,000,000	6.70%
Holder of the Convertible Bonds	–	–	–	–	87,000,000	16.66%
Other public Shareholders	4,001,488,667	91.96%	400,148,866	91.96%	400,148,866	76.64%
Total	4,351,488,667	100%	435,148,866	100%	522,148,866	100%

USE OF PROCEEDS

Subject to the outcome of the Second Placing, the maximum gross and net proceeds from the Second Placing (after deducting related expenses and prior to any exercise of the Subscription Rights) are estimated to be HK\$783,000 and approximately HK\$653,000, respectively, resulting in the net placing price of HK6,530 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\$15,660,000 and approximately HK\$15,360,000, respectively, resulting in the net Conversion Price of approximately HK\$0.098 for each Conversion Share or approximately HK\$0.177 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 Second Placing and the subscription of the Convertible Bonds for the Company's general working capital.

REASONS FOR THE SECOND 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.

Owing to poor market sentiments, the placing of options under the First Placing Agreement cannot be completed. The Second Placing Agreement was entered into by the Company to replace the First Placing Agreement taking into account the prevailing market prices of the Shares and the liquidity of the Shares. In respect of the Second Placing, the Directors consider that, in addition to the maximum gross proceeds of HK\$783,000 which may be received under the Second 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 Second 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.

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 as announced by the Company on 19 April 2012
“Capital Reorganisation”	the Capital Reduction and the Share Consolidation
“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
“Convertible Bonds”	the convertible bonds in the maximum principal amount of HK\$15,660,000 to be issued by the Company convertible into not more than 156,600,000 new 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\$0.018 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\$0.18 or the par value of the Adjusted Share (whichever is higher) per Conversion Share
“Court”	the High Court of Hong Kong
“Director(s)”	director(s) of the Company
“First Placing”	the placing of the options by or on behalf of the Placing Agent to the places pursuant to the First Placing Agreement
“First Placing Agreement”	the placing agreement dated 16 April 2012 and entered into between the Company and the Placing Agent in respect of the First Placing
“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 28 June 2012 of up to 870,297,733 Shares
“Group”	the Company and its subsidiaries
“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”	24 July 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”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option(s)”	Up to a total of 100 options to be granted by the Company to the Placees who, upon completion of the Second Placing, are entitled to subscribe for the Convertible Bonds in the principal amount of HK\$156,600 per option pursuant to the Second Placing Agreement
“Option Instrument”	the instrument under and pursuant to which the Options shall be created and issued, which instrument shall be executed by the Company by way of a deed poll
“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 Second Placing Agreement

“Placing Agent”	FT Securities Limited, a corporate licensed to carry out 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 Period”	the period commencing upon the execution of the Second Placing Agreement and terminating at 5:00 p.m. on 30 September 2012, 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
“Second Placing”	the placing of the Options by or on behalf of the Placing Agent to the Placees pursuant to the Second Placing Agreement
“Second Placing Agreement”	the placing agreement dated 24 July 2012 and entered into between the Company and the Placing Agent in respect of the Second Placing
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing issued share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Share Consolidation”	the proposed consolidation of every ten (10) Reduced Shares of HK\$0.01 each into one (1) Adjusted Share of HK\$0.10 each as announced by the Company on 19 April 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	HK\$156,600 upon exercise of each Option, being the subscription price of the Convertible Bonds in the principal amount of HK\$156,600
“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\$156,600 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
The Hong Kong Building and Loan Agency Limited
So Yuen Chun
Executive Director

Hong Kong, 24 July 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.