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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in **The Hong Kong Building and Loan Agency Limited**, you should at once hand this circular together with the enclosed form of proxy to the Purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities

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### **The Hong Kong Building and Loan Agency Limited** **香港建屋貸款有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 145)**

### **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Placing Agent**



**FT Securities Limited**

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Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A notice convening the EGM of The Hong Kong Building and Loan Agency Limited to be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 30 November 2011 at 11:00 a.m. or any adjournment thereof is set out on pages 20 to 21 of this circular. A proxy form for use at the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish (as the case may be).

15 November 2011

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## DEFINITIONS

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

“Acquisition”	the acquisition of Weldtech Technology Co. Limited pursuant to the Sale and Purchase Agreement, details of which are set out in the announcements of the Company dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011 and 6 October 2011, respectively, and the circular of the Company dated 31 May 2011
“Board”	the board of Directors
“Business Day”	means a day, other than a Saturday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours
“Business Valuation Report”	the independent business valuation report on the business of the Weldtech Group prepared by Grant Sherman Appraisal Limited, as set out in Appendix VI to the circular of the Company dated 31 May 2011
“Closing Date”	the date notified by the Placing Agent to the Company, after fulfilment (or waiver, as the case may be) of the conditions precedent, which in any event shall be not later than 29 December 2011, but in any event, shall be at least one Business Day prior to the date of completion of the Acquisition
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under Rule 1.01 of the Listing Rules and as extended by Rule 14A.11 of the Listing Rules
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among others, the Second Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	9 November 2011, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	professional, institutional and other investors selected and procured by or on behalf of the Placing Agent pursuant to the Second Placing Agreement
“Placing”	the placing of Shares at the then placing price pursuant to the terms of the Placing Agreement
“Placing Agent”	FT Securities Limited, the placing agent in respect of the Second Placing Agreement and a corporation licensed to carry out 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Placing Agreement”	the conditional placing agreement dated 9 June 2011 (as amended and supplemented on 20 July 2011) entered into by and between the Company and the then joint placing agents in relation to the Placing, as disclosed in the announcements of the Company dated 9 June 2011, 20 July 2011 and 30 September 2011, respectively, and the circular of the Company dated 22 June 2011
“Placing Price”	HK\$0.144 to HK\$0.160 per Placing Share, which shall be determined by the Placing Agent in its sole and absolute discretion in writing, unless otherwise agreed between the parties to the Second Placing Agreement
“Placing Share(s)”	all of the 6,500,000,000 new Shares
“Previous Announcements”	The Company’s annual reports and interim reports and all other announcements and circulars published or issued by the Company and posted on the Stock Exchange’s website during the 12 months prior to the date of the Second Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Referral Agreement”	the referral agreement dated 17 December 2010 entered into by and between Merit Leader Asia Limited and Wise Planner Limited, a wholly-owned subsidiary of the Company, in relation to the referral services provided regarding the Acquisition, as amended and supplemented by the first supplemental dated 19 April 2011 and the second supplemental dated 28 April 2011, details of which are set out in the announcement of the Company dated 19 May 2011 and the circular of the Company dated 31 May 2011

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## DEFINITIONS

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“Sale and Purchase Agreement”	the sale and purchase agreement in relation to the Acquisition entered into by and among the Company and the parties named therein dated 23 February 2011, as amended and supplemented by four supplemental agreements dated 21 April 2011, 30 May 2011, 20 July 2011 and 6 October 2011, respectively
“Second Placing”	the placing of the Placing Shares at the Placing Price pursuant to the terms of the Second Placing Agreement
“Second Placing Agreement”	the conditional placing agreement dated 18 October 2011 entered into by and between the Company and the Placing Agent in relation to the Second Placing
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Shares
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to allot and issue the Placing Shares pursuant to the Second Placing Agreement
“SV Technology”	SV Technology Company Limited
“SV Technology Guarantors”	Mr. Wong Ho Yuen (王豪源) and Mr. Wu Gang (吳剛)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Merger
“Target’s Guarantee”	SV Technology and the SV Technology Guarantors irrevocably warranted and undertook to the purchaser in the Acquisition that the audited consolidated profit before tax (excluding extraordinary and exceptional items) of the Weldtech Group for the two years ending 31 March 2013 shall not be less than HK\$230,000,000 (further details of which are set out in the paragraph headed “Target’s Guarantee” in the circular of the Company dated 31 May 2011)

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## DEFINITIONS

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“UPPC”	ultra performance plant control
“Weldtech Group”	Weldtech Technology and the WFOE
“Weldtech Technology”	Weldtech Technology Co. Limited
“WFOE”	日滔貿易(上海)有限公司, a wholly foreign-owned enterprise established in the PRC, and which is wholly-owned by Weldtech Technology
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States Dollar(s), the lawful currency of the United States of America
“%”	per cent.

*In this circular, for reference only, the translation of Renminbi into Hong Kong dollars is based on the exchange rate of RMB1.00 = HK\$1.223; and the translation of United States dollars into Hong Kong dollars is based on the exchange rate of US\$1.00 = HK\$7.769.*

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## LETTER FROM THE BOARD

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### The Hong Kong Building and Loan Agency Limited 香港建屋貸款有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 145)**

*Executive Directors:*

Mr. So Yuen Chun

Mr. Soong Kok Meng

*Non-executive Director:*

Mr. Lam Kwok Hing, Wilfred

*Independent non-executive Directors:*

Mr. Ng Cheuk Fan, Keith

Mr. Yeung Wai Hung, Peter

*Registered office:*

Unit F, 7/F.,

China Overseas Building,

139 Hennessy Road,

Wanchai, Hong Kong

15 November 2011

*To the Shareholders, and for information only,*

*Holders of options, warrants and convertible bonds of the Company*

Dear Sir or Madam,

### **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

Reference is made to (i) the announcements of the Company dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011 and 6 October 2011, respectively, and the circular of the Company dated 31 May 2011 in relation to the Acquisition.



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## LETTER FROM THE BOARD

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Reference is also made to the announcements of the Company dated 9 June 2011, 20 July 2011, 30 September 2011 and 6 October 2011, respectively, and the circular of the Company dated 22 June 2011 in relation to the Placing. Pursuant to the Placing Agreement, the then joint placing agents had conditionally agreed to place up to a total of 6,250,000,000 new Shares on a best-effort basis at a placing price of not less than HK\$0.16 per placing Share. As disclosed in the above-mentioned announcements, the Company intends to use the net proceeds raised from the Placing for (i) settlement of the cash consideration for the Acquisition and the referral fee pursuant to the Referral Agreement; (ii) the expansion of the market share of the UPPC system; and (iii) as general working capital of the Group as enlarged by the Acquisition.

Owing to the recent global financial turmoil, the Placing could not be completed by its long stop date on 30 September 2011 and the Placing Agreement lapsed thereat. On 18 October 2011 (after trading hours), a Second Placing Agreement was entered into by and between the Company and the Placing Agent pursuant to which, the Placing Agent has conditionally agreed, among others, to place all of the 6,500,000,000 Placing Shares at the Placing Price of HK\$0.144 to HK\$0.160 per Placing Share on a best-effort basis. The purpose for the entering into of the Second Placing Agreement is to replace the lapsed Placing Agreement and to raise the required proceeds for the Acquisition.

The purpose of this circular is to provide you with, among others, (i) details of the Second Placing Agreement and the transactions contemplated thereunder and (ii) a notice convening the EGM at which an ordinary resolution will be proposed to approve the Second Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.

### **THE SECOND PLACING AGREEMENT**

#### **Date**

18 October 2011 (after trading hours)

#### **Issuer**

The Company

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## LETTER FROM THE BOARD

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### **The Placing Agent**

Pursuant to the Second Placing Agreement, FT Securities Limited, being the Placing Agent, has conditionally agreed, among others, to place all of the 6,500,000,000 Placing Shares on a best-effort basis. The Placing Agent will be entitled to (1) a fixed global coordinator fee of US\$800,000 (equivalent to approximately HK\$6.2 million) provided that completion of the Second Placing has taken place (the “Global Coordinator Fee”); and (2) a placing fee of 3% of the total Placing Price of the aggregate Placing Shares placed pursuant to the Second Placing Agreement (the “Placing Fee”) which was determined by the Company and the Placing Agents with reference to the placing commission paid by other listed issuers for similar transactions. The Directors are of the view that the fees as set out above are fair and reasonable. The Second Placing Agreement was arrived at after arm’s length negotiations between the Company and the Placing Agent.

As at the Latest Practicable Date, the Placing Agent is 33% beneficially owned by CGI (HK) Limited. CGI (HK) Limited is a shareholder of the Company with approximately 8.85% equity interest. Mr. So Yuen Chun and Mr. Soong Kok Meng are directors on the board of CGI (HK) Limited, the Placing Agent and the Company. The Placing Agent is also 2% beneficially owned by Major Chance Limited. Mr. Ng Cheuk Fan, Keith is a director of the Company and Fortune Financial (Holdings) Limited, the immediate holding company of Major Chance Limited. Mr. So Yuen Chun, Mr. Soong Kok Meng and Mr. Ng Cheuk Fan, Keith have abstained from voting at the Board meeting held on 12 October 2011 to approve the Second Placing Agreement. 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 Placing Agent will place the Placing Shares to not less than six Placees who will be third parties independent of the Group, its connected persons, the vendors in the Acquisition, their associates and parties acting in concert (as defined in the Takeovers Code) with them. None of the Placees will become a substantial Shareholder (as defined in the Listing Rules) immediately after completion of the Second Placing.

### **Number of Placing Shares**

The 6,500,000,000 Placing Shares represent approximately 149.37% of the issued share capital of the Company as at the Latest Practicable Date (being 4,351,488,607 Shares) and approximately 59.90% of the issued share capital of the Company as enlarged by the allotment and issuance of the 6,500,000,000 Placing Shares. Assuming all the Placing Shares are successfully placed, the aggregate nominal value of the Placing Shares will be HK\$650,000,000.

Pursuant to the Second Placing Agreement there is no provision which restrict the further issue of shares by the Company.

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## LETTER FROM THE BOARD

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### Ranking of Placing Shares

Assuming all the Placing Shares are successfully placed by the Placing Agent and issued by the Company, the Placing Shares will rank, upon allotment and issue, *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares and will be free from all *liens*, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the Second Placing and thereafter.

Pursuant to the Second Placing Agreement, there is no provision which restrict the transfer of the Placing Shares by the Placees.

### Placing Price

The Placing Price is HK\$0.144 to HK\$0.160 per Placing Share, which shall be determined by the Placing Agent in its sole and absolute discretion in writing, unless otherwise agreed between the parties to the Second Placing Agreement.

The minimum Placing Price (being HK\$0.144 per Placing Share) represents:

- (i) a premium of approximately 111.76% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on 18 October 2011, being the date of the Second Placing Agreement;
- (ii) a premium of approximately 97.26% to the average closing price of HK\$0.073 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Latest Practicable Date; and
- (iii) a premium of approximately 97.26% to the closing price of HK\$0.073 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The maximum Placing Price (being HK\$0.160 per Placing Share) represents:

- (iv) a premium of approximately 135.29% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on 18 October 2011, being the date of the Second Placing Agreement;
- (v) a premium of approximately 119.18% to the average closing price of HK\$0.073 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Latest Practicable Date; and

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## LETTER FROM THE BOARD

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- (vi) a premium of approximately 119.18% to the closing price of HK\$0.073 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Based on the minimum Placing Price, the minimum net price per Placing Share will be approximately HK\$0.139. Based on the maximum Placing Price, the maximum net price per Placing Share will be approximately HK\$0.154.

The Placing Price was determined on an arm's length basis between the Company and the Placing Agent with reference to (i) the placing price of the Placing Agreement dated 9 June 2011 (as amended and supplemented on 20 July 2011), (ii) the business valuation of the entire equity interest of the Weldtech Group shown in the Business Valuation Report, (iii) the future prospect of the business of the Weldtech Group and (iv) Target's Guarantee provided by SV Technology under the Sale and Purchase Agreement. The Directors have confirmed that the Second Placing will not proceed less than the minimum Placing Price as it has fairly reflected the intrinsic value of the shares of the Group as enlarged after the Acquisition and the Second Placing.

The Directors consider that the terms of the Second Placing Agreement are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

### **Specific Mandate**

The Placing Shares will be allotted and issued pursuant to the Specific Mandate to be granted to the Directors by an ordinary resolution of the Shareholders passed at the EGM.

### **Conditions of the Second Placing Agreement**

The obligations of the Placing Agent under the Second Placing Agreement and completion of the Second Placing are conditional upon:

- (1) no breach of, or any event rendering untrue or inaccurate or misleading, any of the representations, warranties or undertakings of the Company under the Second Placing Agreement, having occurred (a) on the date thereof, (b) on the date of this circular, (c) on the date(s) of launch of the Second Placing and (d) on the date of completion of the Second Placing, with reference to the facts then subsisting;
- (2) the Stock Exchange granting approval for the listing of and permission to deal in the Placing Shares (and such approval and permission not subsequently revoked prior to the completion of Second Placing);

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## LETTER FROM THE BOARD

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- (3) the Company having obtained the approval of its Shareholders at the EGM approving the Second Placing including the issuance of the Placing Shares and such approvals not having been or proposed to be revoked;
- (4) the Sale and Purchase Agreement becoming wholly unconditional (save for the condition requiring the Second Placing to have become unconditional) without any condition waived other than with the prior written consent of the Placing Agent and pending completion of the Second Placing in accordance with its terms;
- (5) save as set out in the Previous Announcements, there not having been any capital restructuring and capital reorganisation or redemptions or repurchase of any Shares or other securities (including any options, warrants or convertible securities) by the Company proposed, effected or completed after the date of the Second Placing Agreement;
- (6) there not having occurred any change or development involving a prospective change (whether or not permanent) including, but not limited to, a prospective change in the condition, financial or otherwise, or in the general affairs, management, shareholders' equity, earnings, operations or business affairs or in the financial or trading position or prospects of the Group or Weldtech Technology which, in the sole and absolute opinion of the Placing Agent:
  - (a) is or is likely to be adverse to or materially or prejudicially affect, the business, financial or trading position, condition or prospects of the Group or Weldtech Technology;
  - (b) has or is likely to have a material adverse effect on or impair the Second Placing or the marketing or distribution of the Placing Shares or dealings in the Placing Shares in the secondary market; or
  - (c) makes it unfavourable or impracticable to proceed with the Second Placing in the manner contemplated by the Second Placing Agreement;
- (7) the Placing Agent not becoming aware, after the date of the Second Placing Agreement, of any information or other matter (including any matter relating to financial models and underlying assumptions related to projections), other than any information contained in or matter referred to in the announcement made by the Company dated 25 February 2011 or the Previous Announcements affecting the Group, the Acquisition or the Second Placing that (in the Placing Agent's judgment) is inconsistent with any such information or other matter disclosed to the Placing Agent and would reasonably be expected to impair the Second Placing or the Acquisition; and

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## LETTER FROM THE BOARD

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- (8) receipt by the Placing Agent of:
- (a) certified copies of the board minutes of the Company approving the Second Placing; and
  - (b) the waivers, consents, authorisations, clearances and approvals which are required from relevant governmental and regulatory authorities which are necessary for the completion of the Acquisition and the Second Placing and the issue and allotment of the Placing Shares, and the implementation of other matters contemplated under the Second Placing Agreement,

each in a form reasonably satisfactory to the Placing Agent.

The Placing Agent may, at any time at its sole discretion, waive, by notice in writing to the Company, any or all of the conditions in paragraphs (1), (4) to (8) above by notice in writing prior to the Closing Date. The Company and the vendors of the Acquisition have confirmed there are no material unfulfilled conditions with respect to the Acquisition, as such the Placing Agent reiterated that it has no intention to waive the condition set out in paragraph (1), (4) to (8) above. If the above conditions are not fulfilled or waived on or before the Closing Date, the Second Placing Agreement shall terminate and the Second Placing Agreement shall cease to have effect save as otherwise provided therein.

### **Termination and *force majeure***

The Placing Agent shall be entitled, by written notice to the Company at any time prior to the date of completion of the Second Placing, to terminate the Second Placing Agreement with immediate effect in its absolute discretion, if there shall develop, occur, exist or come into effect:

- (1) trading generally having been suspended or limited on, or by, any of the Stock Exchange which in the sole and absolute opinion of the Placing Agent is or is likely to prejudice the success of the Second Placing or distribution of the Placing Shares or dealings in the Placing Shares in the secondary market, or makes it unfavourable or impracticable to proceed with the Second Placing;
- (2) trading of any securities of the Company being suspended on the Stock Exchange for a period in excess of one trading day, other than in connection with the Acquisition or the Second Placing;

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## LETTER FROM THE BOARD

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- (3) a disruption in securities settlement, payment or clearance services in the United States of America, the PRC or Hong Kong having occurred, which in the sole and absolute opinion of the Placing Agent is or is likely to prejudice the success of the Second Placing or distribution of the Placing Shares or dealings in the Placing Shares in the secondary market, or makes it unfavourable or impracticable to proceed with the Second Placing;
- (4) any moratorium on commercial banking activities having been declared by any Hong Kong authorities, which in the sole and absolute opinion of the Placing Agent is or is likely to prejudice the success of the Second Placing or distribution of the Placing Shares or dealings in the Placing Shares in the secondary market, or makes it unfavourable or impracticable to proceed with the Second Placing;
- (5) any event or series of events (whether or not permanent) in the nature of *force majeure* (including, without limitation, acts of government, labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics, interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities, or other state of emergency or calamity or crisis), in each case, which in the sole and absolute opinion of the Placing Agent is or is likely to prejudice the success of the Second Placing or distribution of the Placing Shares or dealings in the Placing Shares in the secondary market, or makes it unfavourable or impracticable to proceed with the Second Placing;
- (6) any new law or regulation or change in existing laws or regulations which in the sole and absolute opinion of the Placing Agent has or may be or is likely to have a material adverse effect on the financial position of the Group taken as a whole, which in the sole and absolute opinion of the Placing Agent is or is likely to prejudice the success of the Second Placing or distribution of the Placing Shares or dealings in the Placing Shares in the secondary market, or makes it unfavourable or impracticable to proceed with the Second Placing;
- (7) any change (whether or not permanent) in local, national or international financial, political, monetary or economic conditions, banking, capital markets, currency exchange rates, credit default swap prices, secondary bond prices, exchange controls, or the occurrence of any event or series of events outside of the Placing Agent's control, in each case, which in the sole and absolute opinion of the Placing Agent is or may be or is likely to prejudice the success of the Second Placing or distribution of the Placing Shares or dealings in the Placing Shares in the secondary market, or makes it unfavourable or impracticable to proceed with the Second Placing; or

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## LETTER FROM THE BOARD

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- (8) there is any breach of any of the representations, warranties and undertakings by the Company in the Second Placing Agreement which comes to the knowledge of the Placing Agent or any event occurring or any matter arising on or after the date of the Second Placing Agreement and prior to the date of completion of the Second Placing Agreement which, if it had occurred or arisen before the date of the Second Placing Agreement, would have rendered any of such representations, warranties and undertaking untrue or incorrect in such a manner as in the sole and absolute opinion of the Placing Agent is or is likely to adversely affect the financial position or business of the Group as a whole.

Without prejudice to any other provisions of the Second Placing Agreement, the Placing Agent shall have the right exercisable at any time by notice in writing to the Company to terminate the Second Placing Agreement if the Placing Shares are not issued and delivered in accordance with Second Placing Agreement.

The Second Placing Agreement may also be terminated by a party thereto by notice to the other party given at any time prior to completion of the Second Placing if there shall be any failure or refusal on the part of the other party to comply with the terms of the Second Placing Agreement applicable to it where such failure or refusal is material in the context of the Second Placing.

To the best of their knowledge, the Directors are not aware of the occurrence of any of such events as at the Latest Practicable Date.

### **Completion of the Second Placing**

Completion of the Second Placing will take place on a date notified by the Placing Agent to the Company after fulfillment (or waiver, as the case may be) of the conditions set out above, which shall be not later than 29 December 2011, but in any event, shall be at least one Business Day prior to the date of completion of the Acquisition.

**The Second Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**



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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement(s)	Actual use of proceeds
9 June 2011, 20 July 2011 and 30 September 2011	Placing of new Shares	Approximately HK\$958 million	To be used for (i) settlement of the cash consideration for the Acquisition, (ii) settlement of the referral fee pursuant to the Referral Agreement, (iii) as working capital for the rollout of business of the enlarged Group after the Acquisition, and (iv) as the general working capital	– <i>(note)</i>
13 August 2010, 24 December 2010, 28 December 2010	Placing of new Shares	Approximately HK\$121.45 million	To be used for general working capital and/or future potential investments of the Group	Fully applied to the Group's loan financing business
7 June 2010	Placing of non-listed warrants	Approximately HK\$5.3 million upon issuance of the warrants, with additional proceeds of approximately HK\$82.6 million upon issue of new Shares upon exercise in full of the subscription rights attached to the warrants.	To be used as general working capital (as regards the net proceeds from the placing of warrants) and as funds for future development of the Group (as regards the additional proceeds from the issuance of new Shares)	The net proceeds of approximately HK\$5.3 million (raised from the issuance of the warrants) and the further net proceeds of approximately of HK\$1.47 million (raised to-date from the issuance of new shares upon exercise of the subscription rights attached to the warrants) were applied to treasury investment and working capital of the Group

*Note:* Such placing of new Shares did not proceed and the relevant placing agreement lapsed on 30 September 2011.

Save as disclosed above the Company has not conducted any fund raising exercise during the 12 months immediately preceding the Latest Practicable Date.

# LETTER FROM THE BOARD

## EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Second Placing (assuming the 6,500,000,000 Placing Shares are placed and that there being no change in the number of issued Shares from the Latest Practicable Date until completion of the Second Placing) are set out as below:

Shareholders	As at the Latest Practicable Date		Upon completion of the Second Placing (assuming 6,500,000,000 Placing Shares have been placed) but before completion of the Acquisition		Upon completion of the Second Placing and the Acquisition (but before exercise of any conversion rights attached to any convertible or exchangeable securities of the Company)		Upon completion of the Second Placing and the Acquisition (after exercise all conversion right to any convertible or exchangeable securities of the Company) (Note 1)	
	Number of Share	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
CGI (HK) Limited (Note 3)	385,000,000	8.85	385,000,000	3.55	385,000,000	2.64	385,000,000	1.51
Vendors of the Acquisition	-	-	-	0.00	3,750,000,000	25.68	14,062,500,000	55.22
Placees (Note 2)	-	-	6,500,000,000	59.90	6,500,000,000	44.52	6,500,000,000	25.52
Other public Shareholders	3,966,488,607	91.15	3,966,488,607	36.55	3,966,488,607	27.16	4,519,275,867	17.75
<b>Total</b>	<b>4,351,488,607</b>	<b>100.00</b>	<b>10,851,488,607</b>	<b>100.00</b>	<b>14,601,488,607</b>	<b>100.00</b>	<b>25,466,775,867</b>	<b>100.00</b>

*Notes:*

- The shareholding structure set out in this column is shown for illustration purpose only. Pursuant to conversion restrictions under the terms and conditions of the relevant convertible notes, no conversion right may be exercised to the extent that such exercise or issue of conversion shares (i) would result in the Company's non-compliance with the minimum public shareholding requirement of the Listing Rules; or (ii) would trigger a mandatory general offer under Rule 26 of the Takeovers Code.
- The Company confirms that: (i) the placees shall be third parties independent of the Company, the vendors in the Acquisition and any of their respective associates and connected persons; and (ii) none of the placees shall become a substantial Shareholder (as defined in the Listing Rules).
- As at the Latest Practicable Date, the Placing Agent is 33% beneficially owned by CGI (HK) Limited. CGI (HK) Limited is a shareholder of the Company with approximately 8.85% equity interest. Mr. So Yuen Chun and Mr. Soong Kok Meng are directors on the board of CGI (HK) Limited, the Placing Agent and the Company. The Placing Agent is also 2% beneficially owned by Major Chance Limited. Mr. Ng Cheuk Fan, Keith is a director of the Company and Fortune Financial (Holdings) Limited, the immediate holding company of Major Chance Limited.

## REASONS FOR THE SECOND PLACING AND USE OF PROCEEDS

The Company is incorporated in Hong Kong with limited liability. The principal business activities of the Group are currently mortgage financing and treasury investments.

The purpose for the entering into of the Second Placing Agreement is to replace the Placing Agreement and raise the required proceeds for the Acquisition of the Weldtech Group.

On 25 February 2011, the Company announced the Acquisition whereupon the Group will acquire the entire issued share capital of Weldtech Technology, which through its subsidiary is engaged in the provision of, among others, energy saving solutions for commercial buildings and industrial buildings via its proprietary UPPC system. The total consideration for the Acquisition is HK\$2,800,000,000, of which HK\$231,000,000 is payable in cash. HK\$10,000,000 of the aforesaid cash consideration has been paid by the Company to SV Technology (being one of the vendors in the Acquisition) as the refundable deposit and part payment of the consideration for the Acquisition.

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## LETTER FROM THE BOARD

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As mentioned in the circular of the Company dated 31 May 2011 and 22 June 2011, the Weldtech Group aims to increase its market share of the UPPC system which for the year ending 31 March 2012 (stage 1), it is expected to complete 75 projects and require approximately RMB167 million (equivalent to approximately HK\$204 million) of working capital. Further, for the period up to 31 March 2015 (stage 2), another 500 projects are expected to be completed and require approximately RMB1,017 million (equivalent to approximately HK\$1,244 million) of working capital. The aggregated working capital required in stage 1 and stage 2, amounts to approximately HK\$1,448 million, will be substantially incurred as cost of building and launching the UPPC systems. The Directors and the management of the Weldtech Group intend to fund the aforementioned working capital requirement by the net proceeds from the Second Placing, internal resources of the Group enlarged by the Acquisition and/or other borrowings. As mentioned in the circular of the Company dated 31 May 2011, the Weldtech Group will generate revenue in two business models; namely, outright sales or energy management contracts (“EMC”), and for the year ending 31 March 2012, 85% of the revenue is expected to be derived from EMC model and progressively decrease to 75% by 31 March 2015. As disclosed in the circular of the Company dated 31 May 2011, the sharing-based EMC model is unique in the market because it is easily acceptable to customers who intends to carry out energy saving projects without making a substantial capital commitment upfront. Not only does it save capital expenses, it also provides confidence in the energy saving results to clients. This type of EMC model also requests substantial working capital for the Weldtech Group while it will share a pre-determined percentage of the electricity expenses of the customers saved after the adoption of the UPPC system over a predetermined period of time.

Assuming all the Placing Shares are successfully placed based on the minimum Placing Price, (1) the maximum gross proceeds from the Second Placing will be approximately HK\$936.0 million; and (2) the maximum net proceeds (net of the Global Coordinator Fee and Placing Fee) from the Second Placing will amount to approximately HK\$901.7 million. Assuming all the Placing Shares are successfully placed based on the maximum Placing Price, (1) the maximum gross proceeds from the Second Placing will be approximately HK\$1,040.0 million; and (2) the maximum net proceeds (net of the Global Coordinator Fee and Placing Fee) from the Second Placing will amount to approximately HK\$1,002.6 million. The net proceeds are intended to be used as to (i) HK\$221.0 million for settlement of the cash consideration for the Acquisition (being HK\$231.0 million, of which HK\$10.0 million had been paid as a refundable deposit as disclosed in the circular of the Company dated 31 May 2011); (ii) HK\$140.0 million for settlement of the referral fee pursuant to the Referral Agreement; (iii) approximately HK\$204.0 million working capital for the rollout of business of the enlarged Group after the Acquisition in stage 1 as mentioned above; (iv) approximately HK\$320.0 – HK\$420.0 million (assuming placed at minimum and maximum Placing Price respectively) earmarked for the rollout of business of the enlarged Group after the Acquisition in stage 2 as mentioned above; and (v) approximately HK\$6.7 – HK\$7.6 million for general working capital of the enlarged Group after the Acquisition including, among other thing, administrative and daily operation expenditures. Based on the minimum Placing Price, the minimum net price per Placing Share will be approximately HK\$0.139. Based on the maximum Placing Price, the maximum net price per Placing Share will be approximately HK\$0.154.

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## LETTER FROM THE BOARD

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The Directors consider the terms of the Second Placing Agreement are fair and reasonable, and are in the best interests of the Company and the Shareholders as a whole.

### GENERAL

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

The EGM will be held to approve, among others, the Second Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.

In compliance with the Listing Rules, all votes at the EGM shall be taken by poll. Furthermore, any Shareholders with a material interest in the Second Placing Agreement and his associates will abstain from voting on resolution(s) approving the Second Placing Agreement. As at the Latest Practicable Date, the Placing Agent is 33% beneficially owned by CGI (HK) Limited. CGI (HK) Limited is a shareholder of the Company with approximately 8.85% equity interest. Mr. So Yuen Chun and Mr. Soong Kok Meng are directors on the board of CGI (HK) Limited, the Placing Agent and the Company. The Placing Agent is also 2% beneficially owned by Major Chance Limited. Mr. Ng Cheuk Fan, Keith is a director of the Company and Fortune Financial (Holdings) Limited, the immediate holding company of Major Chance Limited. Mr. So Yuen Chun, Mr. Soong Kok Meng and Mr. Ng Cheuk Fan, Keith have abstained from voting at the Board meeting held on 12 October 2011 to approve the Second Placing Agreement. As such, CGI (HK) Limited and its associates will abstain from voting at the EGM in accordance to the Listing Rules. Furthermore, any Directors and their respective associates (to the extent they hold any Shares at the time of the EGM) will be required to abstain from voting at the EGM.

The Directors have confirmed that, save as disclosed above, (i) the Placing Agent, (ii) The Incorporation of Financial Technicians Limited, the immediate holding company of the Placing Agent and (iii) their respective directors do not have any interests in the Second Placing.

To the best of the Directors' knowledge, information and belief, as at the Latest Practical Date, none of the Directors nor any of their associates holds any Shares and, save as disclosed above, no other Shareholder has a material interest in the Second Placing Agreement and/or the transactions contemplated thereunder and will be required to abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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### EGM

The EGM will be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 30 November 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Second Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate. The notice convening the EGM is set out on pages 20 to 21 of this circular. A form of proxy for use at the EGM is also enclosed to this circular.

Whether or not you are able to attend the EGM and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish (as the case may be).

### RECOMMENDATION

The Directors consider that the Second Placing is in the interests of the Company and the Shareholders as a whole and accordingly recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Second Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.

### RESPONSIBILITY STATEMENT

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

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **The Hong Kong Building and Loan Agency Limited** **香港建屋貸款有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 145)**

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting of The Hong Kong Building and Loan Agency Limited (the “Company”) will be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 30 November 2011 at 11:00 a.m. or any adjournment thereof (as the case may be) for the purpose of considering and, if thought fit, passing, with or without amendment or modification, the following resolution:

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the placing agreement dated 18 October 2011 (the “Second Placing Agreement”) entered into between the Company as the issuer and FT Securities Limited as the placing agent in relation to the placing of all of the 6,500,000,000 new shares (the “Placing Shares”) of HK\$0.10 each in the share capital of the Company on a best-effort basis at the placing price of HK\$0.144 to HK\$0.160 per Placing Share (a copy of which is marked “A” and has been produced to the meeting and signed by the chairman of the meeting for purpose of identification) and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) conditional upon, among others, The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares, the allotment and issuance of the Placing Shares pursuant and subject to the terms and conditions of the Second Placing Agreement be and are hereby approved; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Second Placing Agreement and the transactions contemplated thereunder, including the allotment and issuance of the Placing Shares, and to agree to such variations of the terms of the Second Placing Agreement and the transactions contemplated thereunder as he or she may in his or her absolute discretion consider necessary or desirable.”

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

Hong Kong, 15 November 2011

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him. A proxy needs not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be lodged with the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).