

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in The Hong Kong Building and Loan Agency Limited (the "Company"), you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, registered institution in securities, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Prospectus Documents should not, however, be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulation.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Prospectus, 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 the Prospectus Documents.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the sub-section headed "13. Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The securities described herein have not been registered under the US Securities Act or the laws of any state in the USA and may not be offered or sold within the USA, absent registration or an exemption from the registration requirements of the US Securities Act and applicable US state laws. There is no intention to register any portion of the Rights Issue or any securities described herein in the USA or to conduct a public offering of securities in the USA. Any failure to comply with this restriction may constitute a violation of US securities laws. This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in the USA or any other jurisdiction in which such an offer or solicitation is unlawful. Except as otherwise set out in this Prospectus, the Rights Issue is not being extended to Shareholders with registered addresses in, or investors who are located or resident in any jurisdictions outside Hong Kong. This Prospectus has not been lodged or registered with any of the relevant authorities in any jurisdiction other than Hong Kong.



The Hong Kong Building and Loan Agency Limited

香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) EXISTING SHARES HELD ON THE RECORD DATE

Financial Adviser and Sole Underwriter to the Rights Issue



PLATINUM
Securities

Platinum Securities Company Limited

Capitalised terms used in this cover have the same meanings as those defined in this Prospectus.

Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 24 November 2020 to Tuesday, 1 December 2020 (both days inclusive). If the conditions precedent of the Rights Issue are not fulfilled or waived (as applicable) or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as applicable) and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases, and/or dealings in the nil-paid Rights Shares, shall accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any Shareholders or other persons contemplating any dealing in the Shares and/or the nil-paid Rights Shares are recommended to consult their own professional advisers and exercise caution.

If, prior to the Latest Time for Termination:

- (1) in the absolute opinion of any of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion or unrest, fire, flood, explosion, epidemic, pandemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or
- (5) in the absolute opinion of the Underwriter, there occurs any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than twenty (20) consecutive Business Days otherwise than due to or in connection with or in relation to the Underwriting Agreement and/or the Rights Issue and excluding any suspension in connection with the clearance of the Announcement or other matters in connection with the Underwriting Agreement and/or the Rights Issue; or
- (8) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing served on the Company on or prior to the Latest Time for Termination. Further, the Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination any material breach of any of the representations, warranties or undertakings given by the Company contained therein comes to the knowledge of the Underwriter. For avoidance of any doubt, if the Underwriter, in its sole and absolute opinion considers any COVID-19 related event to have caused a material adverse impact over the implementation of the Underwriting Agreement or the Rights Issue, it shall be entitled to rely on such impact or its aftermath thereof as ground or reason to terminate or rescind the Underwriting Agreement and/or the Rights Issue. It should be noted that the Rights Issue is conditional upon, among other things, the Underwriting Agreement having become unconditional and not terminated upon the fulfillment or waiver (if capable of being waived) of the conditions of the Underwriting Agreement. It should also be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the section headed "Termination of the Underwriting Agreement" of this Prospectus. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

The latest date and time for acceptance of and payment for the Rights Shares and application for and payment for Excess Rights Shares is 4:00 p.m. on Friday, 4 December 2020. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 15 to 17 of this Prospectus set out in the section headed "Procedures for acceptance and payment or transfer" of this Prospectus.

20 November 2020

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| CONTENTS |
|-----------------|

| | <i>Page</i> |
|---|-------------|
| EXPECTED TIMETABLE | ii |
| DEFINITIONS | 1 |
| TERMINATION OF THE UNDERWRITING AGREEMENT | 7 |
| LETTER FROM THE BOARD | 9 |
| APPENDIX I - FINANCIAL INFORMATION OF THE GROUP | I-1 |
| APPENDIX II - UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP | II-1 |
| APPENDIX III - GENERAL INFORMATION | III-1 |

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below. The expected timetable is indicative only and may be subject to change, and any such change will be announced in announcement by the Company as and when appropriate. The expected timetable has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

| Event | Time and Date |
|--|--|
| First day of dealings in nil-paid Rights Shares | 9:00 a.m. on Tuesday, 24 November 2020 |
| Latest time for splitting of PALs | 4:00 p.m. on Thursday, 26 November 2020 |
| Last day of dealings in nil-paid Rights Shares | Tuesday, 1 December 2020 |
| Latest time for acceptance of and payment for the Rights Shares and application for and payment for Excess Rights Shares | 4:00 p.m. on Friday, 4 December 2020 |
| Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional | 4:00 p.m. on Monday, 7 December 2020 |
| Announcement of results of the Rights Issue | Friday, 11 December 2020 |
| Despatch of certificates for the fully-paid Rights Shares | Monday, 14 December 2020 |
| Despatch of refund cheques, if any, for wholly or partially unsuccessful excess applications or if the Rights Issue is terminated. | Monday, 14 December 2020 |
| Dealing in the fully-paid Rights Shares expected to commence | 9:00 a.m. on Tuesday, 15 December 2020 |
| Designated broker starts to stand in the market to provide matching services for odd lots of Shares | 9:00 a.m. on Tuesday, 15 December 2020 |
| Designated broker ceases to stand in the market to provide matching services for odd lots of Shares | 4:00 p.m. on Wednesday, 6 January 2021 |

All times and dates stated in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company in agreement with the Underwriter and in accordance with the Listing Rules. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES AND THE LATEST TIME FOR TERMINATION

Whenever any part of the expected timetable of the Rights Issue as enlisted in the provisions of the Underwriting Agreement may be interrupted by a typhoon, a black rainstorm warning or Extreme Conditions, the Company shall properly inform the Shareholders of the corresponding contingency arrangements, which contingency arrangements shall include:

1. *The Latest Time for Acceptance not taking place on the time as scheduled*
 - (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same day; or
 - (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance will be extended to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

2. *The Latest Time for Termination not taking place on the time as scheduled*
 - (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Termination is initially scheduled to fall, the Latest Time for Termination be extended to 5:00 p.m. on the same day; or
 - (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Termination is initially scheduled to fall, the Latest Time for Termination be extended to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on Friday, 4 December 2020, or if the Latest Time for Termination does not take place on Monday, 7 December 2020, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms have the following meanings:

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| “Allocation Date” | the date pursuant to which allocation of the entitlement under the Rights Issue is to be determined, which is expected to be on 9 December 2020 |
| “Announcement” | the announcement of the Company dated 16 October 2020 in relation to, among others, the Rights Issue |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Companies (WUMP) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time) |
| “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 main board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “EAF(s)” | the form(s) of application for Excess Rights Shares in the agreed form for use by such Qualifying Shareholders who wish to apply for any Excess Rights Shares |

DEFINITIONS

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| “Excess Rights Shares” | any Rights Shares not accepted by the Qualifying Shareholders prior to the Latest Time for Acceptance, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold, and shall (for avoidance of any doubt) include any of the Rights Shares created from the aggregation of fractions of the Rights Shares |
| “Excluded Shareholder(s)” | those Overseas Shareholders whose address is/are in such place(s) outside Hong Kong where the Directors, consider it being necessary or expedient on account of either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares based on the enquiry made pursuant to the terms and conditions of the Underwriting Agreement |
| “Extreme Conditions” | the extreme conditions as announced by any the Hong Kong Government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019 in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature |
| “Financial Adviser”, “Sole Underwriter” or “Underwriter” | Platinum Securities Company Limited, the financial adviser and sole underwriter to the Rights Issue, a licensed corporation carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and its ordinary course of business includes underwriting of securities |
| “Group” | collectively, the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |

DEFINITIONS

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| “Independent Third Party(ies)” | any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules |
| “Last Trading Day” | 16 October 2020, being the last trading day of the Shares on the Stock Exchange prior to the execution of the Underwriting Agreement |
| “Latest Practicable Date” | 13 November 2020, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus |
| “Latest Time for Acceptance” | 4:00 p.m. on 4 December 2020 or such later time or date as may be agreed between the Company and the Underwriter in writing, being the latest time for acceptance of, and payment for, the Rights Shares and application for and payment for Excess Rights Shares as described in the Prospectus |
| “Latest Time for Termination” | 4:00 p.m. on 7 December 2020 or such later time or date as may be agreed between the Company and the Underwriter in writing, being the next Business Day after the Latest Time for Acceptance, which shall be the latest time for termination of the Underwriting Agreement |
| “Listing Committee” | has the meaning as defined in the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the main board of the Stock Exchange |
| “Overseas Shareholder(s)” | such Shareholder(s) whose registered address(es) (as shown in the register of members of the Company at the close of business on the Record Date) is/are situated outside Hong Kong |
| “PAL(s)” | the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders |

DEFINITIONS

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| “Prospectus” | the prospectus to be despatched to Shareholders in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriter |
| “Prospectus Documents” | the Prospectus, the PAL and the EAF |
| “Prospectus Posting Date” | 20 November 2020 or such other date as may be agreed between the Company and the Underwriter in writing, being the date for the despatch of the Prospectus Documents (in case of Excluded Shareholder(s), the Prospectus only) |
| “Qualifying Shareholders” | the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders |
| “Record Date” | 19 November 2020 or such other date as may be agreed between the Company and the Underwriter in writing, being the date for the determination of the entitlements under the Rights Issue |
| “Registrar” | the share registrar of the Company in Hong Kong, being Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong |
| “Rights Issue” | the proposed issue of the Rights Shares for subscription by the Qualifying Shareholders on the basis of one (1) Rights Share for every three (3) existing Shares in issue and held at the close of business on the Record Date at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents |
| “Rights Share(s)” | 130,832,727 new Shares to be allotted and issued pursuant to the Rights Issue |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | issued ordinary share(s) in the Company |

DEFINITIONS

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| “Share Option(s)” | the outstanding share options under the Share Option Scheme |
| “Share Option Scheme” | the share option scheme adopted by the Company on 25 May 2018 |
| “Shareholder(s)” | holder(s) of the Share(s) from time to time |
| “Specified Event” | an event occurring or matter arising on or after the date of execution of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | HK\$0.18 per Rights Share |
| “subsidiary(ies)” | has the meaning ascribed to it under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) |
| “Sub-underwriter” | Excellent Winning Investment Limited, an Independent Third Party |
| “Sub-Underwriting Agreement” | the sub-underwriting agreement dated 22 October 2020 entered into between the Underwriter and the Sub-underwriter and as revised, supplemented and/or amended from time to time in accordance with its terms |
| “Takeovers Code” | The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC |
| “Time of Sale” | such time, falling within the period commencing on the Latest Time for Acceptance and ending on one Business Day before the Allocation Date, as is agreed between the Company and the Underwriter as the time of sale with respect to their efforts to procure purchasers for the Rights Shares not taken up |
| “Underwriting Agreement” | the underwriting agreement dated 16 October 2020 entered into between the Company and the Underwriter and as revised, supplemented and/or amended from time to time in accordance with its terms |

DEFINITIONS

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| “Underwritten Shares” | 130,832,727 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement |
| “Untaken Share(s)” | those (if any) of the Rights Shares in respect of which valid applications under the PALs and EAFs have not been received on or before the Latest Time for Acceptance |
| “%” | per cent |

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

- (1) in the absolute opinion of any of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion or unrest, fire, flood, explosion, epidemic, pandemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (5) in the absolute opinion of the Underwriter, there occurs any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than twenty (20) consecutive Business Days otherwise than due to or in connection with or in relation to the Underwriting Agreement and/or the Rights Issue and excluding any suspension in connection with the clearance of the Announcement or other matters in connection with the Underwriting Agreement and/or the Rights Issue, or
- (8) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing served on the Company on or prior to the Latest Time for Termination. Further, the Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination any material breach of any of the representations, warranties or undertakings given by the Company contained therein comes to the knowledge of the Underwriter. For avoidance of any doubt, if the Underwriter, in its sole and absolute opinion considers any COVID-19 related event to have caused a material adverse impact over the implementation of the Underwriting Agreement or the Rights Issue, it shall be entitled to rely on such impact or its aftermath thereof as ground or reason to terminate or rescind the Underwriting Agreement and/or the Rights Issue.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.



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. Chong Kok Leong
Mr. Zhuang Miao Zhong

Independent non-executive Directors:

Mr. Choy Hiu Fai, Eric
Mr. Huang Lizhi
Mr. Lam Yau Fung, Curt

Registered office:

Unit D, 7/F
Seabright Plaza
9-23 Shell Street
North Point
Hong Kong

20 November 2020

*To the Qualifying Shareholders and,
for information purpose only,
to the Excluded Shareholders,*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY THREE (3) EXISTING SHARES
HELD ON THE RECORD DATE**

INTRODUCTION

Reference is made to the Announcement whereby the Board announced that the Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every three (3) existing Shares held on the Record Date at the Subscription Price of HK\$0.18 per Rights Share, to raise approximately HK\$23.5 million, before expenses. At the date of the Announcement, the Underwriter and the Company entered into the Underwriting Agreement, pursuant to which, the Underwriter has conditionally agreed to underwrite all the Underwritten Shares subject to the terms and conditions set out in the Underwriting Agreement. On 22 October 2020, the Underwriter has entered into the Sub-Underwriting Agreement pursuant to which the Sub-Underwriter will subscribe for the Rights Shares upon the Underwriter's call for such number of Rights Shares which will represent less than 10% of the issued share capital of the Company as enlarged by the Rights Issue. From the date of the Announcement and up to 13 November 2020, being the date the register of members of the Company closed for determining entitlement under the Rights Issue, no issue or repurchase of Shares has been conducted. The total number of Rights Shares to be issued will be 130,832,727 Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Excluded Shareholders.

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with, among other things, further details on (i) the Rights Issue and the underwriting arrangement; (ii) the financial information of the Group; and (iii) the general information of the Group.

PROPOSED RIGHTS ISSUE

The Board proposes the Rights Issue, details of which are summarised below:

Rights Issue statistics

| | | |
|---|---|--|
| Basis of the Rights Issue | : | One (1) Rights Share for every three (3) existing Shares in issue and held at the close of business on the Record Date |
| Number of Shares in issue as at the Latest Practicable Date | : | 392,498,181 Shares |
| Number of Rights Shares to be issued | : | 130,832,727 Rights Shares |
| Subscription Price | : | HK\$0.18 per Rights Share |
| Net price per Rights Share (i.e. Subscription Price less costs and expenses incurred in the Rights Issue) | : | Approximately HK\$0.161 per Rights Share |
| Enlarged number of Shares in issue upon completion of the Rights Issue | : | 523,330,908 Shares |
| Gross proceeds from the Rights Issue | : | approximately HK\$23,549,890.86 before expenses |
| Right of excess applications | : | Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment |

As at the Latest Practicable Date, the Company had granted 11,620,350 Share Options to the grantees which entitle the holders thereof to subscribe for an aggregate of 11,620,350 new shares from 1 January 2021 to 31 December 2025. As such, pursuant to the terms and conditions of the grant, no Share Option would be vested and exercisable by the option holders on or before the Record Date. Save as disclosed above, as at the Latest Practicable Date, the Company had no outstanding derivatives, options, warrants or securities in issue which confer any rights to subscribe for, convert or exchange into Shares. As a result, the total number of issued Shares as at the Latest Practicable Date was 392,498,181 Shares and the total number of Rights Shares to be issued by the Company will be 130,832,727 Rights Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Board had not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue. The Company shall not from the date of the Underwriting Agreement until after the Latest Time for Acceptance issue any Shares or issue or grant any options or other securities convertible into, exchangeable for or which carry rights to acquire Shares.

The Company will take steps to identify the excess applications made by any controlling shareholder and its associates (together, the “**relevant shareholders**”), whether in their own names or through nominees. The Company will disregard their excess applications to the extent the total number of Excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Shares offered under the Rights Issue minus the number of Shares taken up by the relevant shareholders under their respective assured entitlements.

As at the Latest Practicable Date, the 130,832,727 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represented approximately 33.33% of the total number of issued Shares and 25.00% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Subscription Price

The Subscription Price is HK\$0.18 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for Excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a premium of approximately 2.9% over the closing price of HK\$0.175 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 13.9% to the closing price of HK\$0.209 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 13.5% to the average closing price of HK\$0.208 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 12.6% to the average closing price of HK\$0.206 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 10.9% to the theoretical ex-rights price of HK\$0.202 per Share based on the closing price of HK\$0.209 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 3.5%, represented by the theoretical diluted price of approximately HK\$0.202 per Share to the benchmarked price of approximately HK\$0.209 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.209 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.207 per Share); and
- (vii) a discount of approximately 41.9% to the unaudited consolidated net tangible asset value attributable to equity holders of the Company per Share of approximately HK\$0.310 (based on the latest published unaudited consolidated net tangible asset value attributable to equity holders of the Company of approximately HK\$121.6 million as at 30 June 2020 and 392,498,181 Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed "**REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS**" in this Prospectus. The Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, shall rank *pari passu* in all respects with the Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid with a record date which falls on or after the date of allotment and issue of the Rights Shares in their fully-paid form.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. The Company will despatch the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date and, to the extent reasonably practicable and legally permitted, will despatch the Prospectus only (without the PAL or the EAF) to the Excluded Shareholders for their information.

To qualify for the Rights Issue, a Shareholder:

- (i) must be registered as a member of the Company at the close of business on the Record Date; and
- (ii) is not an Excluded Shareholder.

LETTER FROM THE BOARD

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date so as to qualify for the Rights Issue, any transfer of Shares (together with the relevant share certificates) must be lodged with the Registrar for registration by 4:00 p.m. on Thursday, 12 November 2020. The address of the Registrar, Tricor Tengis Limited, is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled in full and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company as at the Latest Practicable Date, there were eight (8) Overseas Shareholders who collectively held 4,997,434 Shares in aggregate, representing approximately 1.27% of the total number of shares in issue as at the Latest Practicable Date. Amongst these eight (8) Overseas Shareholders, one (1) has its registered address situated in the British Virgin Islands ("BVI"), two (2) others have their respective registered addresses situated in Malaysia, two (2) others have their respective registered addresses situated in the People's Republic of China ("PRC"), one (1) has his registered address situated in Singapore and the remaining two (2) have their respective registered addresses situated in the United States of America ("USA"). Save for the above, the Company did not have any other Overseas Shareholders.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries with legal advisers of BVI, Malaysia, the PRC, Singapore and the USA, respectively, on whether or not under the laws of the respective relevant overseas jurisdictions, the Rights Issue could be extended to the Overseas Shareholders.

The Company has been advised by its legal adviser of BVI that there are no restrictions under the securities law or other similar laws in BVI which would prevent the Company from including the one (1) BVI Shareholder in the Rights Issue. Accordingly, the extension of the Rights Issue to the BVI Shareholder and the offering of the Rights Shares to the BVI Shareholder will not violate any applicable law or regulations in the BVI. There are no requirements of the relevant regulatory body or stock exchange in BVI regarding the Rights Issue to the BVI Shareholder. It is the responsibility of the one (1) BVI Shareholder to observe the local legal and regulatory requirements applicable to it for taking up and onward sale (if applicable) of the Rights Shares. Based upon such advice, the Directors have decided to extend the Rights Issue to the one (1) BVI Shareholder, and it shall therefore be a Qualifying Shareholder.

LETTER FROM THE BOARD

For the other seven (7) Overseas Shareholders, as at the Latest Practicable Date, based on the advice provided by legal advisers as to the laws of Malaysia, the PRC, Singapore and the USA, respectively, the Directors are of the view that it is necessary and expedient to exclude the Overseas Shareholder in Malaysia, the PRC, Singapore and the USA for the purpose of the Rights Issue and such Overseas Shareholder will be regarded as Excluded Shareholders as the extension of the Rights Issue to such Excluded Shareholders would, or might, in the absence of compliance with registration or other exemption requirements or other special formalities or specific requirements, be unlawful or impracticable and the cost to be incurred and time required for complying with the registration requirements would outweigh the possible benefits to the Company and the Excluded Shareholders. The Company will send a copy of this Prospectus (without the PAL and the EAF) to the Excluded Shareholders for information only.

Accordingly, no person receiving a copy of any of the Prospectus Documents in any territory outside Hong Kong and the BVI may treat it as an offer or invitation to apply for the Rights Shares, unless in a territory such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements thereof.

It is the responsibility of the Qualifying Shareholders outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself before acquiring any rights to subscribe for the Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connected therewith. Any acceptance of or application for Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after the commencement of dealings on the Stock Exchange in Rights Shares in nil-paid form and in any event before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. In the event that and to the extent that such Nil-Paid Rights can be sold, the Company will then distribute such proceeds in Hong Kong dollars (after deducting the expenses of sale (if any)) to the Excluded Shareholders pro rata (but rounded down to the nearest cent) to their shareholdings on the Record Date, except that individual amount of HK\$100 or less shall not be so distributed but shall be retained for the benefit of the Company.

LETTER FROM THE BOARD

Basis of provisional allotments

The Company shall provisionally allot the Rights Shares to the Qualifying Shareholders at the Subscription Price, in the proportion of one (1) Rights Share for every three (3) existing Shares in issue and held on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Any holdings (or balance of holdings) of less than three (3) Shares will not entitle their holders to be provisionally allotted a Rights Share. Please refer to the arrangement as referred to in the paragraph headed "Fractional entitlements" below.

Fractional entitlements

In any event, fractions of the Rights Shares will not be allotted to any of the Qualifying Shareholders and the Company will not accept applications for any fraction of Rights Shares. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Any Rights Shares created from the aggregation of fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders in such manner as the Directors in their absolute discretion deem appropriate and for the benefits and interests of the Company and as described in the section headed "Application for Excess Rights Shares" below. Should there be no excess application by the Qualifying Shareholders, those Rights Shares created from the aggregation of fraction of the Rights Shares will be taken up by the Underwriter.

Application for the Rights Shares

The PALs and the EAFs relating to the Rights Shares will be enclosed with this Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein and application by Qualifying Shareholders shall be made by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar of the Company by the Latest Time for Acceptance.

Procedures for acceptance and payment or transfer

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Friday, 4 December 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "The Hong Kong Building and Loan Agency Limited – PAL" and crossed "ACCOUNT PAYEE ONLY".

LETTER FROM THE BOARD

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by not later than 4:00 p.m. on Friday, 4 December 2020, whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company is not obliged to but may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of the provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Thursday, 26 November 2020 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares. Completion and return of the PAL will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the PAL and any acceptance of it have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give or be subject to any of the above representations and warranties. The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL together with a cheque or a banker's cashier order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or banker's cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the conditions precedent of the Rights Issue as set out in the paragraph headed "Conditions precedent of the Rights Issue" below is not fulfilled or waived (as applicable) at or before 4:00 p.m. on Monday, 7 December 2020 (or such later time or date as may be agreed between the Company and the Underwriter in writing), the monies

LETTER FROM THE BOARD

received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Monday, 14 December 2020.

No receipt will be issued in respect of any PAL and/or remittances received.

Application for Excess Rights Shares

The Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of EAF, and the Excess Rights Shares represent:

- (i) any of the Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders prior to the Latest Time for Acceptance;
- (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold; and
- (iii) any of the Rights Shares created from the aggregation of fractions of the Rights Shares.

The Company will, upon consultation with the Underwriter, allocate the Excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (i) any Excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the Excess Rights Shares applied for under each excess application;
- (ii) reference will only be made to the number of Excess Rights Shares being applied for but no reference will be made to the Rights Shares comprised in applications by the PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for Excess Rights Shares in full application; and
- (iv) no preference will be given to applications for topping up odd lots to whole board lots.

LETTER FROM THE BOARD

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisors if they are in any doubt as to their status.

Application for Excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the amount payable for the Excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong by not later than 4:00 p.m. on Friday, 4 December 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "The Hong Kong Building and Loan Agency Limited – EAF" and crossed "ACCOUNT PAYEE ONLY". No receipt will be issued in respect of any remittances received.

An announcement of results of acceptance of and excess applications for the Rights Issue will be published on the websites of the Stock Exchange and the Company on Friday, 11 December 2020. If no Excess Rights Shares are allotted to a Qualifying Shareholder who has applied for Excess Rights Shares, the amount tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post by the Registrar at his/her/its own risk on or before Monday, 14 December 2020. If the number of Excess Rights Shares allotted to a Qualifying Shareholder is fewer than that applied for, the surplus application monies without interest are also expected to be returned by refund cheque to that Qualifying Shareholder by ordinary post by the Registrar at his/her/its own risk on or before Monday, 14 December 2020.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the Excess Application Form will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the Excess Application Form and any acceptance of it have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give or be subject to any of the above representations and warranties. The Company reserves the right to refuse to accept any application for Excess Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

LETTER FROM THE BOARD

Completion and return of the EAF together with a cheque or a banker's cashier order in payment for the Excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereto, the Company reserves the right to reject any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation, and in that event, all rights thereunder will be deemed to have been declined and will be cancelled.

The EAF is for use only by the Qualifying Shareholders to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by the Registrar. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. The Company may require such incomplete EAF to be completed by the relevant applicants at a later stage.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the conditions precedent of the Rights Issue as set out in the paragraph headed "Conditions precedent of the Rights Issue" below is not fulfilled or waived (as applicable) at or before 4:00 p.m. on Monday, 7 December 2020 (or such later time or date as may be agreed between the Company and the Underwriter in writing), the monies received in respect of application for Excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Monday, 14 December 2020.

It should be noted that no receipt will be issued in respect of any EAF and/or remittances received.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfillment of the conditions precedent of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Monday, 14 December 2020 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Monday, 14 December 2020 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for Excess Rights Shares (if any) are expected to be posted on or before Monday, 14 December 2020, by ordinary post to the applicants, at their own risk, to their registered addresses.

LETTER FROM THE BOARD

Application for listing

The Company has made an application to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. The nil-paid and fully-paid Rights Shares will be traded in the board lots of 8,000 Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests if they are in any doubt.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

Taxation

Qualifying Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Arrangement of odd lot trading

In order to facilitate the trading of odd lots (if any) of the Shares, the Company has appointed One China Securities Limited to stand in the market to match the purchase and sale of odd lots of the Shares at the relevant market price, on a best efforts basis. Holders of odd lots of the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up to a full board lot may contact Ms. Carmen Wong at (852) 31882676, 2/F., Cheong K. Building, 86 Des Voeux Road Central, Central, Hong Kong during the period from Tuesday, 15 December 2020 at 9:00 a.m. to Wednesday, 6 January 2021 at 4:00 p.m., both days inclusive. Holders of the odd lots of the Shares should note that the matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot facility, is recommended to consult his/her/its own professional advisers.

LETTER FROM THE BOARD

THE UNDERWRITING AGREEMENT

On 16 October 2020 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue.

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

Underwriting Agreement

| | | |
|-------------|---|---|
| Date | : | 16 October 2020 (after trading hours) |
| Issuer | : | The Company |
| Underwriter | : | Platinum Securities Company Limited, a licensed corporation carrying out type 1 (dealing in securities), and type 6 (advising on corporate finance) regulated activities under the SFO and its ordinary course of business includes underwriting of securities. |

As at the Latest Practicable Date, the Underwriter did not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons. The Underwriter has confirmed to comply with Rule 7.19(1)(a) of the Listing Rules.

| | | |
|---|---|--|
| Number of Rights Shares underwritten by the Underwriter | : | 130,832,727 Rights Shares |
| Underwriting Commission | : | 1.5% of the aggregate Subscription Price in respect of the Underwritten Shares |

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition, the market price of the Company and the prevailing underwriting commission of the market. The Directors consider that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. None of the Directors has a material interest in the transaction contemplated under the Underwriting Agreement.

LETTER FROM THE BOARD

Subject to the fulfillment of all the conditions precedent (save and except such conditions precedent waived in accordance with the conditions precedent (v) and (xi) and the paragraph set as out in the section headed “Conditions precedent of the Rights Issue”) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe or procure subscription on the terms of the Prospectus Documents (insofar as the same are applicable) for such Untaken Shares.

Conditions precedent of the Rights Issue

The completion of the Rights Issue and the obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iii) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriter accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Prospectus Posting Date, and such listing and permission to deal not having been withdrawn or revoked;
- (iv) the obligations of the Underwriter having become unconditional and the Underwriting Agreement not having been terminated in accordance with its terms;
- (v) compliance with and performance of all undertakings and obligations, and representations and warranties of the Company under the Underwriting Agreement, and the Underwriting Agreement is not terminated in accordance with its terms;

LETTER FROM THE BOARD

- (vi) compliance with the requirements under all applicable laws and regulations;
- (vii) each of the Company and the Underwriter having obtained all necessary consent and/or approval for entering into the Underwriting Agreement or the transactions contemplated therein;
- (viii) the entering into of binding agreements by the Underwriter with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Rights Shares, such that neither the Underwriter together with such parties acting in concert (if any) with the Underwriter (having the meaning as set out in the Takeovers Code) nor any of the placees and/or sub-underwriters and their respective parties acting in concert (having the meaning as set out in the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Rights Issue after completion of the Rights Issue;
- (ix) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (x) there being no Specified Event occurring on or before the Latest Time for Termination;
- (xi) the Company shall by the Prospectus Posting Date and the Time of Sale have delivered to the Underwriter a certificate of an executive Director and its Chief Operating Officer addressed to the Underwriter, dated as of the applicable date, on the representations and warranties and performance of the Company's obligations under the Underwriting Agreement;
- (xii) the Underwriter receiving from the Company all the relevant documents in relation to the Rights Issue as set out in the Underwriting Agreement, amongst others, the board resolutions relating to the Rights Issue and relating to the issue of the Prospectus Documents in form and substance satisfactory to the Underwriter as soon as practicable after the date of the Underwriting Agreement, and not later than 4:00 p.m. on the Business Day immediately before the Prospectus Posting Date;

LETTER FROM THE BOARD

- (xiii) the Underwriter receiving from the Company all the documents relating to the representations and warranties and performance of the Company's obligations under the Underwriting Agreement not later than 4:00 p.m. on the Business Day immediately before the listing date of the Rights Shares; and
- (xiv) the Rights Shares being duly issued and provisionally allotted by the authorized representatives of the Board on the terms set out in the Underwriting Agreement and the Prospectus Documents to the Qualifying Shareholders.

Apart from the conditions precedent as set out in (v) and (xi) above which can be waived in whole or in part by the Underwriter unilaterally by notice in writing to the Company prior to the Latest Time for Termination, all other conditions precedent are incapable of being waived. The Company and the Underwriter shall use their respective best endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree in writing and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Rights Shares or to give effect to the Rights Issue and the arrangements contemplated in the Underwriting Agreement.

If any of the conditions precedent (save and except those having been waived in accordance with the above paragraph) are not satisfied in whole by the Latest Time for Termination or such other date as the Company and the Underwriter may agree in writing, the Underwriting Agreement shall terminate (save and except the clauses of fees and expenses and indemnity and certain clauses which shall remain in full force and effect) and none of the Company or the Underwriter shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, the condition precedent (viii) has been satisfied and none of the other conditions precedent has been satisfied or fulfilled. Further, conditions precedent (v) and (xi) has not been waived by the Underwriter up to date.

THE SUB-UNDERWRITING AGREEMENT

On 22 October 2020, the Underwriter has entered into the Sub-Underwriting Agreement pursuant to which the Sub-underwriter will subscribe for the Rights Shares upon the Underwriter's call for such number of Rights Shares which will represent less than 10% of the issued share capital of the Company as enlarged by the Rights Issue.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming no new Shares (other than Rights Shares) will be issued and no buy-back of Shares on or before the completion of the Rights Issue, the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company immediately after completion of the Rights Issue in the manner contemplated under the Underwriting Agreement are set out as follows:

| | As at the Latest Practicable Date | | Immediately after completion of the Rights Issue | | | |
|--|--------------------------------------|-----------------------|--|-----------------------|---|-----------------------|
| | | | Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholders | | Assuming (a) no acceptance by the Qualifying Shareholders; and (b) all the Untaken Shares are taken up by the Underwriter, the Sub-underwriter and the subscribers procured by the Underwriter and the Sub-underwriter | |
| | Number of Shares | Approximate % | Number of Shares | Approximate % | Number of Shares | Approximate % |
| Substantial Shareholder | | | | | | |
| CITIC International Assets Management Limited (Note 1) | 106,447,008 | 27.12% | 141,929,344 | 27.12% | 106,447,008 | 20.34% |
| Public Shareholders | | | | | | |
| The Underwriter and/or subscriber(s)/or sub-underwriter procured by it (Note 2) | - | - | - | - | 130,832,727 | 25% |
| Other public Shareholders | 286,051,173 | 72.88% | 381,401,564 | 72.88% | 286,051,173 | 54.66% |
| Sub-total | <u>286,051,173</u> | <u>72.88%</u> | <u>381,401,564</u> | <u>72.88%</u> | <u>416,883,900</u> | <u>79.66%</u> |
| Total | <u><u>392,498,181</u></u> | <u><u>100.00%</u></u> | <u><u>523,330,908</u></u> | <u><u>100.00%</u></u> | <u><u>523,330,908</u></u> | <u><u>100.00%</u></u> |

Notes:

- CITIC International Assets Management Limited is owned as to 46% by CITIC International Financial Holdings Limited, a wholly-owned subsidiary of China CITIC Bank Corporation Limited, which is over 60% indirectly owned by CITIC Limited, which is indirectly owned as to 58.13% by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the shares held by CITIC International Assets Management Limited.

LETTER FROM THE BOARD

2. This scenario is for illustration purpose only on a hypothetical basis only and will not occur. Pursuant to the Underwriting Agreement, the Underwriter shall not enter into binding agreements with certain placees and/or sub-underwriters, which shall be independent third parties, for placing and/or sub-underwriting the Rights Shares, such that neither the Underwriter together with such parties acting in concert (if any) with the Underwriter (having the meaning as set out in the Takeovers Code) nor any of the placees and/or sub-underwriters and their respective parties acting in concert (having the meaning as set out in the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Rights Issue. On 22 October 2020, the Underwriter has entered into the Sub-Underwriting Agreement pursuant to which the Sub-underwriter will subscribe for the Rights Shares upon the Underwriter's call for such number of Rights Shares which will represent less than 10% of the issued share capital of the Company as enlarged by the Rights Issue.

Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscription for the Untaken Shares, the Underwriter shall use its best endeavours to ensure that (1) each of the subscribers of the Untaken Shares procured by the Underwriter shall be an Independent Third Party of and not connected with the Company, any of the Directors or chief executive or substantial shareholders of the Company or their respective associates; (2) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by the Company upon completion of the Rights Issue; and (3) the Underwriter shall not (together with its respective parties acting in concert or any of its respective connected persons or associates) hold in aggregate 10% or more of the voting rights of the Company immediately after the Rights Issue.

Pursuant to the Sub-Underwriting Agreement, the Sub-underwriter has undertaken, among other things, that (1) it is independent from, and not directly or indirectly funded or backed by the Company, its directors or their respective associates; (2) it will not offer or sell any of the Rights Shares to any connected person or directors, chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules), or offer to sell or sell any Rights Shares which may be subscribed by it in any other jurisdiction or in any circumstances in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that shall result in compliance with any applicable laws and/or regulations; and (iii) none of it, its nominee(s) and the ultimate beneficial owner(s) of the Rights Shares sub-underwritten by it and their respective nominee(s) is and/or will become a connected person of the Company or become acting in concert with any persons having control over the Company (as defined in Takeovers Code) immediately following completion of the Rights Issue. Pursuant to the Sub-Underwriting Agreement, the Sub-underwriter has also undertaken that none of it together with parties acting in concert with it will, after the subscription or purchase by it, its nominee(s) and the ultimate beneficial owner(s) of the Rights Shares sub-underwritten by it and their respective nominee(s) be interested in 10% or more of the issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares after completion of the Rights Issue.

LETTER FROM THE BOARD

Please refer to the section headed “Effect on the Shareholding Structure of the Company” for the details of the effect on the shareholding structure of the Company upon the completion of the Rights Issue.

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, (i) the Sub-underwriter is not interested in any Shares; (ii) the Sub-underwriter and Cheng Lut Tim (鄭聿恬), its ultimate beneficial owner are the Independent Third Parties; (iii) the Sub-underwriter is principally engaged in investment holding; and (iv) save for the sub-underwriting arrangement between the Underwriter and the Sub-underwriter under the Sub-Underwriting Agreement as disclosed in this Prospectus, the Directors are not aware of any other sub-underwriting arrangements by the Underwriter.

INFORMATION ON THE UNDERWRITER

The Underwriter is a company incorporated in Hong Kong with limited liability. It is principally engaged in dealing in securities and its ordinary course of business includes underwriting of securities. As at the Latest Practicable Date, it is a licensed corporation carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in treasury investment, provision of loan financing and design and provision of energy saving solutions.

As at 30 June 2020, the Group recorded the unaudited total assets and total liabilities of approximately HK\$165.7 million and approximately HK\$44.1 million respectively. For the six months ended 30 June 2020, the Group’s revenue was approximately HK\$0.6 million and the loss for the period attributable to owners of the Company was approximately HK\$19.8 million. As mentioned in the interim report 2020 of the Company, the Company has stated that it is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares in order to improve the working capital and liquidity and cash position of the Group.

The Directors consider that the Rights Issue, which is on a fully underwritten basis, will explicitly strengthen its capital structure without incurring debt financing cost. Also, the Rights Issue will improve the working capital and liquidity and cash position of the Group. Furthermore, the Rights Issue will allow all the Qualifying Shareholders the equal opportunity to subscribe for their respective pro rata provisional entitlement of the Rights Shares and hence avoiding dilution in their shareholding interests in the Company. The Qualifying Shareholders are also able to further increase their interests in the Company through excess applications.

LETTER FROM THE BOARD

The gross proceeds from the Rights Issue will be approximately HK\$23.5 million. The net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, are estimated to be approximately HK\$21.0 million. The net proceeds from the Rights Issue are currently anticipated to be used for general working capital of the Group including (1) potential new projects as to approximately HK\$12.6 million; and (2) operating expenses as to approximately HK\$8.4 million. The Company plans to use a portion of the proceeds on energy saving/clean energy related new projects. These potential new projects are related to air-cooling system constructions, energy saving system designs, clean energy procurements, sales and solutions. These new projects are part of the Company's existing business.

The expenses in relation to the Rights Issue (including the underwriting fee, printing, registration, legal, accounting, levy, and documentation charges) are estimated to be approximately HK\$2.5 million.

After careful consideration, the Directors consider that the terms and conditions of the Rights Issue are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date:

| Date of announcement | Event | Net proceeds raised (approximately) | Intended use of proceeds | Actual use of proceeds |
|----------------------|---|-------------------------------------|--|--|
| 13 July 2020 | Placing of new shares under general mandate | HK\$7.76 million | (i) for general working capital of the Group and/or (ii) for possible investments in the future when opportunities arise | for general working capital of the Group |

POSSIBLE ADJUSTMENT TO THE OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, there are 11,620,350 outstanding Share Options under the Share Option Scheme. Pursuant to the terms and conditions of the Share Option Scheme and the Listing Rules, the exercise price and/or the number of the outstanding Share Options granted under the Share Option Scheme will be adjusted. Further announcement will be made in respect of the said adjustments as and when appropriate.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Conditions Precedent of the Rights Issue” and “Termination of the Underwriting Agreement” in this Prospectus). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled or waived (as applicable) (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board of
The Hong Kong Building and Loan Agency Limited
Chong Kok Leong
Executive Director

1. FINANCIAL SUMMARY OF THE GROUP

Details of (i) the unaudited consolidated financial information of the Group for the six months ended 30 June 2020; and (ii) to (iv) the audited consolidated financial information of the Group for the years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.hkbla.com.hk/>). Set out below are links to the relevant annual reports and interim report of the Company:

- (i) The unaudited financial information of the Group for the six months ended 30 June 2020 is disclosed in the interim report of the Company for the six months ended 30 June 2020 published on 25 September 2020, from pages 3 to 26:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0925/2020092500514.pdf>
- (ii) The audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 14 May 2020, from pages 44 to 139:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400453.pdf>
- (iii) The audited financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019, from pages 44 to 141:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292158.pdf>
- (iv) The audited financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 23 April 2018, from pages 52 to 157:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn201804231468.pdf>

2. INDEBTEDNESS OF THE GROUP

As the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this Prospectus, the Group had the outstanding other borrowing and lease liabilities comprising the following:

Other borrowing

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group had outstanding other borrowing of approximately HK\$22,778,000 (equivalent to RMB20,000,000) was secured by the corporate guarantees granted by the Company with maturity on 31 December 2021. The other borrowing bears interest at 12% per annum. As at 30 September 2020, the Group had outstanding accrued interest payable of approximately HK\$5,102,000 (equivalent to RMB4,480,000).

Lease liabilities

The Group recognised right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term leases. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 30 September 2020, the Group had lease liabilities of approximately HK\$292,000 which were secured by rental deposits and unguaranteed.

Contingent liabilities

Save as disclosed above, as at the close of business on 30 September 2020, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, overdrafts, debt securities and other borrowings, mortgages, charges or lease liabilities, contingent liabilities or guarantees.

The Directors confirmed that the Group do not have any plans for material external debt financing and no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2020 up to and including the Latest Practicable Date.

3. WORKING CAPITAL STATEMENT

Taking into account the estimated net proceeds from the Rights Issue and the financial resources available to the Group, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital to satisfy its requirements for the next twelve months from the date of this Prospectus in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in treasury investment, provision of loan financing and design and provision of energy saving solutions.

Regarding the energy saving solutions business, the increasing awareness of the energy saving, social responsibility and also the determination to reduce carbon emission, the energy saving and environmental protection remain the key focus of the PRC government. However, the Group is facing intensified competition in the industry, particularly for small and medium-sized projects. Macro-economic factors also fluctuate the market.

Going forward, Weldtech Group will continue to target potential customers for buyout projects to improve cashflow of Weldtech Group with shorter turnover days and explore secondary sales from existing customers, enhancing the portfolio of the Company's energy saving solutions to maximise the potential of our customers on top of the existing UPPC System and air conditioning solutions. Weldtech Group will explore the feasibility to research and develop automation or energy saving systems platforms to customers in which such products would require relatively lower upfront capital deployment from Weldtech Group.

Global business environment is still challenging amid the Pandemic and tensed Sino-US relationship in which cause additional uncertainties in the operating environment in China in 2020. As far as the Group's businesses are concerned, customer demand, budget for capital expenditure are expected to be shallow; operational delays in terms of site visits, meetings and project implementation are noted due to the transportation restrictions during the period. Although some cities in the PRC gradually ceased the lockdown measures, it is expected that market sentiments still took long time to fully recover and back to normal unless preventive measures are available to prevent the Pandemic. Also, global oil prices have plunged since early April might cause significant impact to the Group's energy saving operation because cheaper energy price will subsequently reduce the demand in energy saving services. The management is working on getting business activity on-going again. The Group will take feasible and necessary measures to lower the impact from the economic downturn. However, management remains cautious for the year 2020.

The Group will continue to explore and capture business opportunities in the green sector, including air-conditioning energy saving projects, and also the related construction, installation, procurement, and design businesses. The Company is actively seeking and exploring other business opportunities in China as well as outside China. For financing, the Group will continue to explore various funding sources including project financing, debt financing and/or equity fund raising to finance the development of the Group's businesses.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 30 June 2020 and taking into account of certain assumptions.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the Rights Issue been completed as at 30 June 2020 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020, as extracted from the Group’s unaudited condensed consolidated statement of financial position as at 30 June 2020, as extracted from the published interim report of the Company for the six months period ended 30 June 2020, and is adjusted for the effect of the Rights Issue described below.

| | Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 HK\$’000 (Note 1) | Estimated net proceeds from the Rights Issue HK\$’000 (Note 2) | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 immediately after completion of the Rights Issue HK\$’000 | Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 per share immediately after the completion of the Rights Issue HK\$ (Note 3) | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 per share immediately after the completion of the Rights Issue HK\$ (Note 4) |
|------------------------------------|---|---|--|---|--|
| Rights Issue of 130,832,727 Rights | | | | | |
| Shares to be issued at | | | | | |
| Subscription Price of | | | | | |
| HK\$0.18 per Rights Share | 74,869 | 21,006 | 95,875 | 0.20 | 0.19 |

Notes:

- (1) The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 of approximately HK\$74,869,000 is based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2020 of approximately HK\$121,599,000, as adjusted to exclude intangible assets of approximately HK\$46,730,000 as shown on the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as extracted from the published interim report of the Company for the six months period ended 30 June 2020.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$21,006,000 are based on 130,832,727 Rights Shares to be issued (in the proportion of one (1) rights share for every three (3) existing shares held on record date) at the subscription price of HK\$0.18 per Rights Share, after deduction of the estimated related expenses of approximately HK\$2,544,000, assuming that the Rights Issue had been completed on 30 June 2020.
- (3) The unaudited consolidated net tangible assets per share attributable to the owners of the Company as at 30 June 2020 after taking into account of the consolidation of every ten (10) Existing Shares into one (1) consolidated share (the “**Share Consolidation**”) is HK\$0.20 which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 of approximately HK\$74,869,000 and 372,498,181 consolidated shares (involves the consolidation of every ten (10) Existing Shares into one (1) consolidated share) (the “**Consolidated Shares**”) which is calculated on 3,724,981,811 shares in issue as at 30 June 2020 (the “**Existing Shares**”) subdivided by ten (10).
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share immediately after completion of the Rights Issue and Share Consolidation is calculated based on 503,330,908 shares which comprise 372,498,181 Consolidated Shares (involves the consolidate of every ten (10) Existing Shares into one (1) consolidated share) and 130,832,727 Rights Shares expected to be issued on the completion of the Rights Issue as at 30 June 2020.
- (5) No adjustments have been made to the unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020. On 27 July 2020, the Company completed the placing of 200,000,000 placing shares to not less than six independent placees at the placing price of HK\$0.04 per placing share. The net proceeds from the placing, after deducting the relating placing commission, professional fees and other related expense, amounted to approximately HK\$7,760,000. The placing of 200,000,000 placing shares, being a not adjusted subsequent event and not directly attributable to the Rights Issue, not be included as a pro forma adjustment. The number of 130,832,727 Rights Shares assumed in the presenting unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 per share immediately after the completion of the Rights Issue is based on the actual number of shares in issue on the record date which took into the consideration of the placing of 200,000,000 shares on 27 July 2020 and the Share Consolidation.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Board of Directors of The Hong Kong Building and Loan Agency Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of The Hong Kong Building and Loan Agency Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 20 November 2020 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of one rights share for every three existing shares held on the record date at the subscription price of HK\$0.18 per rights share (the “**Rights Issue**”) on the Group's financial position as at 30 June 2020 as if the Rights Issue had taken place as at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months period ended 30 June 2020, on which an interim report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "*Quality Control for Firms that Perform Audits and Reviews of Financial Statement, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui

Practising Certified Number: P05895
Hong Kong, 20 November 2020

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. NUMBER OF SHARES IN ISSUE

The share capital of the Company as at the Latest Practicable Date and following the completion of the Rights Issue was and will be as follows:

As at the Latest Practicable Date:

| | |
|--|--------------------|
| <i>Issued and fully paid share capital</i> | 392,498,181 Shares |
|--|--------------------|

Upon completion of the Rights Issue

| | |
|-----------------------------------|--------------------|
| <i>Rights Shares to be issued</i> | 130,832,727 Shares |
|-----------------------------------|--------------------|

| | |
|--|--------------------|
| <i>Shares in issue upon completion of the Rights Issue</i> | 523,330,908 Shares |
|--|--------------------|

The Rights Shares, when allotted, issued and fully paid, shall rank *pari passu* in all respects with the Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid with a record date which falls on or after the date of allotment and issue of the Rights Shares in their fully-paid form.

The Company has applied to the Listing Committee for the listing of and permission to deal in the Rights Shares (in both their nil-paid and fully-paid forms). No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for the Share Options, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(i) **Directors' and chief executives' interests and short positions in share, underlying shares and debentures of the Company and associated corporation**

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Company's own Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

Long Positions in Shares and underlying Shares of the Company

| Name of Directors | Capacity | Number of underlying Shares of Share Options | % of total issued Shares |
|--------------------|------------------|--|--------------------------|
| Chong Kok Leong | Beneficial Owner | 1,267,860 | 0.32 |
| Zhuang Miao Zhong | Beneficial Owner | 507,140 | 0.13 |
| Choy Hiu Fai, Eric | Beneficial Owner | 50,720 | 0.01 |
| Huang Lizhi | Beneficial Owner | 50,720 | 0.01 |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) **Substantial shareholders' interests and short positions in the shares and underlying shares of the Company**

Save as disclosed below, as at the Latest Practicable Date, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the Shares and/or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name | Capacity | Number of Shares held/ interested in | Approximate percentage of number of Shares in issue (Note 1) |
|--|------------------------------------|--------------------------------------|--|
| CITIC Group Corporation (Note 2) | Interest of controlled corporation | 106,447,008 | 27.12% |
| CITIC Limited (Note 2) | Interest of controlled corporation | 106,447,008 | 27.12% |
| China CITIC Bank Corporation Limited (Note 2) | Interest of controlled corporation | 106,447,008 | 27.12% |
| CITIC International Financial Holdings Limited (Note 2) | Interest of controlled corporation | 106,447,008 | 27.12% |
| CITIC International Assets Management Limited ("CIAM") (Note 2) | Beneficial owner | 106,447,008 | 27.12% |
| Hong Kong Mengzai Material Co., Limited | Beneficial owner | 38,441,600 | 9.79% |
| Liu Quanhui ("Mr. Liu") (Note 3) | Interest of controlled corporation | 28,039,877 | 7.14% |
| Niu Fang ("Ms. Niu") (Note 3) | Interest of controlled corporation | 28,039,877 | 7.14% |
| State Energy HK Limited ("State Energy") (Note 3) | Beneficial owner | 28,039,877 | 7.14% |
| Platinum Securities Company Limited ("PSCL") (Note 4) (Note 6) | Underwriter | 75,277,172 | 19.18% |
| Excellent Winning Investment Limited ("Excellent Winning") (Note 5) (Note 6) | Sub-underwriter | 55,555,555 | 14.15% |

Notes:

- (1) As at the Latest Practicable Date, the percentage of shareholding is calculated based on 392,498,181 Shares in issue.
- (2) CIAM is owned as to 46% by CITIC International Financial Holdings Limited, a wholly-owned subsidiary of China CITIC Bank Corporation Limited, which is over 60% indirectly owned by CITIC Limited, which is indirectly owned as to 58.13% by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the shares held by CIAM.
- (3) Mr. Liu and Ms. Niu are interested in State Energy. By virtue of the SFO, Mr. Liu and Ms. Niu are deemed to be interested in the shares held by State Energy.
- (4) PSCL is the Underwriter of the Rights Issue and hence is deemed to have an underwriting interest in 75,277,172 Rights Shares (after deducting 55,555,555 Rights Shares under the Sub-underwriting Agreement). By virtue of the SFO, PSCL is a “controlled corporation”, as such, Platinum Holdings Company Limited, Keltyhill Incorporated and Mr. Liu Chee Ming are deemed to have “Interest of controlled corporation” in PSCL’s 75,277,172 Rights Shares accordingly.
- (5) Excellent Winning is the Sub-underwriter of the Rights Issue and hence is deemed to have an underwriting interest in 55,555,555 Rights Shares. By virtue of the SFO, Excellent Winning is a “controlled corporation”, as such, Mr. Cheng Luttim is deemed to have “Interest of controlled corporation” in Excellent Winning’s 55,555,555 Rights Shares accordingly.
- (6) This scenario is for illustration purpose only on a hypothetical basis only and will not occur. Pursuant to the Underwriting Agreement and the Sub-underwriting Agreement, the Underwriter and the Sub-underwriter shall not enter into binding agreements with certain placees, which shall be independent third parties, for placing the Rights Shares, such that neither the Underwriter nor the Sub-underwriter together with such parties acting in concert (if any) with the Underwriter or the Sub-underwriter (having the meaning as set out in the Takeovers Code) nor any of the placees and their respective parties acting in concert (having the meaning as set out in the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Rights Issue. On 22 October 2020, the Underwriter has entered into the Sub-Underwriting Agreement pursuant to which the Sub-underwriter will subscribe for the Rights Shares upon the Underwriter’s call for such number of Rights Shares which will represent less than 10% of the issued share capital of the Company as enlarged by the Rights Issue.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (other than the Directors and chief executives of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation;
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2019, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (c) none of the Directors and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors was considered to have interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Directors are aware.

7. MATERIAL CONTRACTS

Save for the following, there were no material contracts (not being contract(s) entered into in the ordinary course of business) which had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the placing agreement dated 13 July 2020 entered into between the Company and Emperor Securities Limited in relation to the placing of up to 200,000,000 Shares under general mandate at the placing price of HK\$0.04 per placing share. The completion of placing took place on 27 July 2020; and
- (b) the Underwriting Agreement.

8. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chong Kok Leong (“**Mr. Chong**”), aged 57, was appointed as an executive director of the Company on 1 October 2015. Mr. Chong has also been appointed as a director of certain subsidiaries of the Company. Mr. Chong has over 30 years of senior management experience with multinational companies in the Asia Pacific Region, of which 16 years have been in China. The management expertise of Mr. Chong has been with sales & marketing and channel development at regional and country levels, with key responsibilities covering sales & marketing, business strategies and channel development. Prior to joining the Company, Mr. Chong has been the Managing Partner of a successful digital solution and media network company based in Shanghai. From June 2009 to April 2013, Mr. Chong was the Managing Director of PC-Ware (Beijing) Commercial Co., Ltd., where its parent company PC-Ware GmbH was the second largest software distribution and IT solution company in Europe. From February 2006 to April 2009, Mr. Chong worked as the General Manager (Software Division) and the Senior Business Development Director of China of Ingram Micro Asia Holdings Limited, a B2B technology company. From 1996 to 2006, Mr. Chong worked at Hewlett-Packard Asia Pacific, primarily responsible for its channel development in China and South & South East Asian markets. Mr. Chong graduated with a Bachelor’s Degree in Engineering (Mechanical) from the National University of Singapore in 1988, obtained a Master’s Degree in Business Administration from Monash University in Melbourne, Australia in 1993, and was admitted as member of the CPA Australia in 1995.

Mr. Zhuang Miao Zhong (“**Mr. Zhuang**”), aged 52, was appointed as an executive director of the Company on 16 January 2017. Mr. Zhuang also has been appointed as a director of certain subsidiaries of the Company. He has over 15 years of work experience in petroleum industry, which includes working in state-owned enterprises in China, overseas corporations and large-scale enterprises. Mr. Zhuang has extensive knowledge and contacts within this field.

Independent non-executive Directors

Mr. Choy Hiu Fai, Eric (“**Mr. Choy**”), aged 43, was appointed as an independent non-executive director of the Company on 8 July 2016. He was also appointed as the chairman of each of the audit, nomination and remuneration committees of the Company, all with effect from 1 November 2017. Mr. Choy resigned as the chairman but remained as a member of the audit committee of the Company effective from 15 August 2018. He was appointed as the chairman of the audit committee of the Company again on 1 September 2020. He has more than 18 years of experience working in accounting firms in Hong Kong, including one of the Big 4 CPA firms. Mr. Choy graduated from The University of Hong Kong with a degree in Business Administration in 2000. He is also a member of The Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and American Institute of CPAs.

Mr. Choy is currently an independent non-executive director of Wing Fung Group Asia Limited (stock code: 8526), a company listed on GEM of the Exchange.

Mr. Huang Lizhi (“**Mr. Huang**”), aged 69, was appointed as a non-executive director of the Company on 7 August 2014 and then re-designated as an independent non-executive director of the Company on 1 September 2017. Mr. Huang was also appointed as a member of each of the audit, nomination and remuneration committees of the Company. He is a consultant with CITIC International Assets Management Limited (“**CIAM**”). Prior to joining CIAM, Mr. Huang held various positions including Deputy Director in Supreme People’s Procuratorate of the PRC for over 20 years. Mr. Huang has extensive experiences in the PRC, in particular, investment experience in environment friendly businesses.

Mr. Lam Yau Fung, Curt (“**Mr. Lam**”), aged 51, is the General Manager of Wanda Hotel Development Company Limited (stock code: 00169) which is listed on the Main Board of the Stock Exchange, and a member of the Dalian Wanda Group. He has been appointed as an independent non-executive director of Asia Allied Infrastructure Holdings Limited (a company listed on Main Board of the Stock Exchange, stock code: 00711) since January 2017 and of OOH Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 08091) since August 2019. He was an executive director of Yuexiu Property Company Limited (stock code: 00123), a company listed on the Main Board of the Stock Exchange, and also the chief financial officer of the Yue Xiu Group. Mr. Lam was previously the head of Corporate Finance and Business Development at GOME Electrical Appliances Holding Limited (now known as GOME Retail Holdings Limited) (stock code: 00493) (“**GOME**”), one of China’s largest electronics retailers, which is listed on the Main Board of the Stock Exchange. Prior to joining GOME, he spent about 10 years working in investment banking and capital markets at Schrodgers Asia, ABN AMRO Rothschild, and Deutsche Bank. Mr. Lam is a Chartered Financial Analyst (CFA) and holds a Master of Business Administration (MBA) degree from Rice University in the United States. He has extensive experience in corporate finance, financial and accounting fields.

9. EXPERT’S CONSENT AND QUALIFICATION

The following sets out the qualification of the expert who has given opinions, letters or advices included in this Prospectus:

| Name | Qualification |
|---------------------------------|------------------------------|
| HLB Hodgson Impey Cheng Limited | Certified Public Accountants |

HLB Hodgson Impey Cheng Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letter and reference to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited did not have any shareholding, directly or indirectly, in any member of the Group nor did HLB Hodgson Impey Cheng Limited have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2019 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

| | |
|---|---|
| Registered office of the Company: | Unit D, 7/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong |
| Financial adviser and Underwriter: | Platinum Securities Company Limited 21/F LHT Tower, 31 Queen's Road Central, Hong Kong |
| Legal advisers to the Underwriter as to the Rights Issue: | Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong |
| Legal advisers to the Company as to the Rights Issue: | WT Law Offices Units 1102-1103, 11/F Prosperous Building, 48-52 Des Voeux Road Central, Central, Hong Kong |
| Share registrar: | Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong |
| Financial adviser to Company: | Platinum Securities Company Limited 21/F LHT Tower, 31 Queen's Road Central, Hong Kong |
| Auditors and reporting accountants: | HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong |

| | |
|-----------------------------|--|
| Principal bankers: | China CITIC Bank International Limited 61-65, Des Voeux Road Central, Hong Kong |
| | The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building, 1 Queen's Road Central, Hong Kong |
| Receiving Bank: | The Bank of East Asia 10 Des Voeux Road Central, Central, Hong Kong |
| Authorised representatives: | Mr. Mak Chun Wing and Mr. Chong Kok Leong Unit D, 7/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong |
| Company Secretary: | Mr. Mak Chun Wing Unit D, 7/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong |

11. EXPENSES

The expenses in relation to the Rights Issue (including the underwriting commission, financial advisory fee, printing, registration, legal, accounting, levy, and documentation charges) are estimated to be approximately HK\$2.5 million, which are payable by the Company.

12. BINDING EFFECT

This Prospectus, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed "9. EXPERT'S CONSENT AND QUALIFICATION" in this Appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the office in Hong Kong of the Company at Unit D, 7/F Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong during the period of 14 days from the date of this Prospectus:

- (i) articles of association of the Company;
- (ii) the unaudited interim report of the Company for the six months ended 30 June 2020;
- (iii) the annual reports of the Company for the three financial years ended 31 December 2017, 2018 and 2019;
- (iv) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group as set out in Appendix II to this Prospectus;
- (v) the written consent referred to in the paragraph headed “**9. EXPERT’S CONSENT AND QUALIFICATION**” in this Appendix;
- (vi) the material contracts referred to in the paragraph headed “**7. MATERIAL CONTRACTS**” in this Appendix; and
- (vii) the Prospectus Documents.

15. LANGUAGE

In case of any inconsistency between the English and Chinese versions of this Prospectus, the English version will prevail.

16. MISCELLANEOUS

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities.
- (iii) The business address of all Directors and authorized representatives of the Company is Unit D, 7/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.