
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in The Hong Kong Building and Loan Agency Limited, you should at once hand this circular, the accompanying form of proxy and the 2005 Annual Report to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(香港建屋貸款有限公司)
(Incorporated in Hong Kong with limited liability)
(Stock Code: 145)

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE SECURITIES
AND REPURCHASE SHARES
AND
AMENDMENTS TO ARTICLES OF ASSOCIATION**

A notice convening the annual general meeting of The Hong Kong Building and Loan Agency Limited to be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 12th May, 2006 at 10:00 a.m., is set out on pages 16 to 21 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of The Hong Kong Building and Loan Agency Limited at Room 2101, 21st Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment thereof if they so wish.

7th April, 2006

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held on Friday, 12th May, 2006 at 10:00 a.m.
“Articles”	the articles of association of the Company
“Board”	the board of Directors
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	31st March, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Code”	Hong Kong Code on Share Repurchases
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“2005 Annual Report”	annual report of the Company for the year of 2005
“%”	per cent.

LETTER FROM THE BOARD



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:

Akihiro Nagahara (*Chairman*)
Stephen Lo Kam Fai (*Chief Executive*)
Edwin Lo King Yau

Independent Non-Executive Directors:

Chan Bo Ching
Li Chak Hung
Yuen Wai Ho

Registered Office:

Room 2101
21st Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

7th April, 2006

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE SECURITIES
AND REPURCHASE SHARES
AND
AMENDMENTS TO ARTICLES OF ASSOCIATION**

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the AGM relating to (i) the re-election of Directors; (ii) the granting to the Directors of general mandates to issue securities and repurchase Shares up to 20% and 10% respectively of the aggregate nominal amount of the Company's issued share capital as at the date of passing of such resolutions; and (iii) the proposed amendments to the Articles.

RE-ELECTION OF DIRECTORS

The Board currently consists of six Directors, namely Messrs. Akihiro Nagahara, Stephen Lo Kam Fai, Edwin Lo King Yau, Chan Bo Ching, Li Chak Hung and Yuen Wai Ho.

LETTER FROM THE BOARD

Pursuant to Article 110 of the Articles, the Directors shall have power from time to time and at any time to appoint any qualified person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election. Any Director who retires under this Article shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

Pursuant to Article 110 of the Articles, Messrs. Akihiro Nagahara, Stephen Lo Kam Fai, Edwin Lo King Yau, Chan Bo Ching, Li Chak Hung and Yuen Wai Ho, being all the existing Directors and had been appointed by the Board after the Company's last annual general meeting held on 3rd June, 2005, will hold office only until the AGM and, being eligible, offer themselves for re-election as Director.

Article 123 of the Articles provides that no person other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company in each case, during the period (being a period of at least seven days) commencing on the day after the despatch of the notice of the general meeting at which elections to the office of Director are to be considered and ending on the day that falls seven days before the date of the general meeting (both days inclusive).

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director at the AGM, notice of his intention to propose such person for election as a Director and the notice executed by the nominee of his willingness to be elected must be validly served at the registered office of the Company at Room 2101, 21st Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong on or before 5th May, 2006.

Brief biographical details of the retiring Directors are set out in Appendix I to this circular. If a valid notice from a Shareholder to propose a person to stand for election as a Director at the AGM is received after the printing of this circular, the Company will issue a supplementary circular to inform Shareholders of the details of the additional candidate proposed.

GENERAL MANDATES TO ISSUE SECURITIES AND REPURCHASE SHARES

At the annual general meeting of the Company held on 3rd June, 2005, ordinary resolutions were passed for the granting of general mandates to the Directors (i) to allot, issue and deal with additional securities of the Company up to 20% of the aggregate nominal amount of the share capital of the Company in issue at that date ("Existing Issue Mandate"); and (ii) to repurchase Shares up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at that date ("Existing Repurchase Mandate").

The Existing Issue Mandate and the Existing Repurchase Mandate will expire upon the conclusion of the AGM. The Directors consider that the Existing Issue Mandate and the Existing Repurchase Mandate increase the flexibility in the Company's affairs and are in the interests of the Shareholders, and that the same shall continue to be adopted by the Company.

LETTER FROM THE BOARD

New general mandates to allot, issue and deal with additional securities of the Company up to 20% of the issued share capital of the Company and to repurchase Shares up to 10% of the issued share capital of the Company as at the date of passing of the resolutions (“Share Repurchase Mandate”) as set out in Resolutions 4(A) and 4(B) respectively of the notice of the AGM will be proposed at the AGM. Resolution authorising the extension of the general mandate to the Directors to issue securities to include the aggregate nominal amount of such Shares repurchased (if any) under the Share Repurchase Mandate is to be proposed as Resolution 4(C) at the AGM.

With reference to the proposed new general mandates, the Directors wish to state that they have no immediate plans to issue any new securities or repurchase any Shares pursuant to the relevant mandates.

An explanatory statement containing the particulars required by the Listing Rules to enable the Shareholders to make an informed view on whether to vote for or against Resolution 4(B) to be proposed at the AGM in relation to the proposed Share Repurchase Mandate are set out in Appendix II to this circular.

AMENDMENTS TO THE ARTICLES

In order to ensure compliance with the relevant provisions in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, the Board proposes to make certain amendments to the Articles.

Under the Articles, the Company may by special resolution in general meeting at any time alter or amend its memorandum of association and the Articles in whole or in part. A special resolution which requires not less than 75% of the votes cast by the Shareholders attending and entitled to vote at the AGM will be put forth as special business to be considered and approved by the Shareholders.

Amendments proposed to be made to the Articles are as follows:

- (i) to ensure all the Directors appointed to fill a casual vacancy should be subject to election by the Shareholders at the first general meeting after their appointment;
- (ii) to subject all the Directors to retirement by rotation at least once every three years; and
- (iii) to ensure the remuneration or extra remuneration of all the Directors be fixed or determined by the Board.

Details relating to the proposed amendments to the Articles are set out in Resolution 5 as stated in the notice of the AGM.

LETTER FROM THE BOARD

AGM

Notice of the AGM to be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 12th May, 2006 at 10:00 a.m. is set out on pages 16 to 21 of this circular. A copy of the 2005 Annual Report of the Company is despatched to the Shareholders together with this circular. Ordinary resolutions in respect of the re-election of the Directors and the general mandates to issue securities and repurchase Shares and a special resolution in respect of the amendments to the Articles as referred to above will be proposed at the AGM.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's registered office, at Room 2101, 21st Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude the Shareholders from attending and voting in person at the AGM or any adjournment thereof if they so wish.

Pursuant to Article 86 of the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or a poll is (before or on the declaration of the result of the show of hands) demanded by (i) the chairman of the meeting; or (ii) at least five Shareholders present in person or by proxy for the time being entitled to vote at the general meeting; or (iii) any Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the general meeting; or (iv) a Shareholder or Shareholders present in person or by proxy and holding Shares in the Company conferring a right to vote at the general meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

The Directors consider that the proposed ordinary resolutions for approval of the re-election of the retiring Directors, the grant of general mandates to issue securities and repurchase Shares, and to add the aggregate nominal amount of Shares that may be repurchased to the aggregate nominal amount of the Shares that may be allotted pursuant to the general mandate to issue securities, and the proposed special resolution for the amendments to the Articles are each in the best interests of the Company and the Shareholders as a whole, and accordingly, recommend all Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular. The English text of this circular shall prevail over the Chinese text.

Yours faithfully,
For and on behalf of the Board
**THE HONG KONG BUILDING AND
LOAN AGENCY LIMITED**
Akihiro Nagahara
Chairman

The biographical details of the Directors proposed to be re-elected at the forthcoming AGM are set out as follows:

Mr. Akihiro Nagahara, aged 65, was appointed as the Chairman and an Executive Director of the Company in October 2005. He is the managing director of United Asia Finance Limited (“UAF”), the Company’s indirect holding company. He holds a law degree from the National Taiwan University and a Master’s degree from the Graduate School in Law of the National Hitotsubashi University of Japan, where he also completed his doctorate courses. He is an acknowledged expert in the consumer finance business in Hong Kong and is credited with the successful establishment of Public Finance Limited (formerly known as JCG Finance Company, Limited). He is also the chairman of The Hong Kong S.A.R. Licensed Money Lenders Association Limited since its establishment in 1999, which is the only industry representative association of licensed money lenders in Hong Kong. Save as disclosed above, Mr. Nagahara did not hold any other directorships in listed public companies during the past three years.

A service contract has been entered into between the Company and Mr. Nagahara pursuant to which (i) he will have no designated length of service with the Company but will be subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office; and (ii) he is entitled to a director’s fee of HK\$10,000 per annum which is based on the term of his service contract with the Company. Save as disclosed above, Mr. Nagahara did not have any relationship with any Director, senior management, substantial or controlling shareholder of the Company nor had he any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date. Mr. Nagahara is not aware of any other matters that need to be brought to the attention of the Shareholders.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Nagahara to be disclosed.

Mr. Stephen Lo Kam Fai, aged 44, was appointed as the Chief Executive and an Executive Director of the Company in October 2005 and as the Company Secretary of the Company in September 2005. He is a member of the Institute of Chartered Accountants of England and Wales and a fellow member of both The Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He holds a Master of Business Administration degree from the Hong Kong Polytechnic and a Bachelor of Science degree in Economics with First Class Honours from the University of London. He has over 20 years’ experience in the auditing and accounting profession. He started his career in one of the big four international auditing firms and subsequently joined and worked for a sizable listed company for a number of years in various postings including internal audit, acquisition advisory, financial controller, management and budgetary controller, etc. He is currently a director of UAF, the Company’s indirect holding company, and has worked for UAF as financial controller for 10 years. Save as disclosed above, Mr. Lo did not hold any other directorships in listed public companies during the past three years.

A service contract has been entered into between the Company and Mr. Lo pursuant to which (i) he will have no designated length of service with the Company but will be subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office; and (ii) he is entitled to a director's fee of HK\$10,000 per annum which is based on the term of his service contract with the Company. Save as disclosed above, Mr. Lo did not have any relationship with any Director, senior management, substantial or controlling shareholder of the Company nor had he any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date. Mr. Lo is not aware of any other matters that need to be brought to the attention of Shareholders.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Lo to be disclosed.

Mr. Edwin Lo King Yau, aged 45, was appointed as an Executive Director of the Company in October 2005. He is a chartered company secretary and holder of a Master's degree in Applied Finance from Macquarie University, Australia. He had served various executive roles in several companies in Hong Kong including as company secretary for public listed companies. He is also an executive director of Allied Group Limited, the Company's ultimate holding company, and Tian An China Investments Company Limited, both are companies listed on the Stock Exchange. Save as disclosed above, Mr. Lo did not hold any other directorships in listed public companies during the past three years.

A service contract has been entered into between the Company and Mr. Lo pursuant to which (i) he will have no designated length of service with the Company but will be subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office; and (ii) he is entitled to a director's fee of HK\$10,000 per annum which is based on the term of his service contract with the Company. Save as disclosed above, Mr. Lo did not have any relationship with any Director, senior management, substantial or controlling shareholder of the Company nor had he any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date. Mr. Lo is not aware of any other matters that need to be brought to the attention of the Shareholders.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Lo to be disclosed.

Mr. Chan Bo Ching, aged 47, was appointed as an Independent Non-Executive Director of the Company in October 2005. He had over 15 years' experience in the banking and financial fields in Hong Kong and Southeast Asia region. Mr. Chan holds a Bachelor degree in laws and a Master's degree in laws from the University of London. He obtained a Master's degree in business administration from the Chinese University of Hong Kong through the Executive MBA programme. Mr. Chan was qualified as an associate of the Chartered Institute of Bankers in 1985 and is also an associate of the Hong Kong Institute of Bankers. Mr. Chan was awarded the Council Prize from the Chartered Institute of Bankers for the highest aggregate marks on completion of Credit Card Certificate in 1984. Mr. Chan is currently a practising barrister in Hong Kong. Prior to joining the legal profession, he held various senior executive and responsible positions in banks and finance

related companies. Mr. Chan is also a member of the Hong Kong Institute of Directors, an associate member of the Taxation Institute of Hong Kong and a member of the Hong Kong Securities Institute. Save as disclosed above, Mr. Chan did not hold any other directorships in listed public companies during the past three years.

A service contract has been entered into between the Company and Mr. Chan pursuant to which (i) his term of appointment shall continue until 31st December, 2006, subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office; and (ii) he is entitled to a director's fee of HK\$60,000 per annum which is based on the term of his service contract with the Company. Save as disclosed above, Mr. Chan did not have any relationship with any Director, senior management, substantial or controlling shareholder of the Company nor had he any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date. Mr. Chan is not aware of any other matters that need to be brought to the attention of the Shareholders.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Chan to be disclosed.

Mr. Li Chak Hung, aged 41, was appointed as an Independent Non-Executive Director of the Company in October 2005. Mr. Li holds a Bachelor degree in business administration and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants in the United Kingdom. He has over 17 years' experience in auditing, accounting and financial management. Mr. Li is also an independent non-executive director of Shanghai Allied Cement Limited, Quality HealthCare Asia Limited and Orient Industries Holdings Limited, all are companies listed on the Stock Exchange. Save as disclosed above, Mr. Li did not hold any other directorships in listed public companies during the past three years.

A service contract has been entered into between the Company and Mr. Li pursuant to which (i) his term of appointment shall continue until 31st December, 2006, subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office; and (ii) he is entitled to a director's fee of HK\$60,000 per annum which is based on the term of his service contract with the Company. Save as disclosed above, Mr. Li did not have any relationship with any Director, senior management, substantial or controlling shareholder of the Company nor had he any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date. Mr. Li is not aware of any other matters that need to be brought to the attention of the Shareholders.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Li to be disclosed.

Mr. Yuen Wai Ho, aged 46, was appointed as an Independent Non-Executive Director of the Company in October 2005. He holds two Master's degrees, one in business administration from the University of Bath in England and the other in electronic commerce from the Open University of Hong Kong. Mr. Yuen is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants

and the Taxation Institute of Hong Kong respectively. He is also an associate member of the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Yuen has more than 20 years' experience in auditing, accounting, taxation and financial management, of which 15 years was served as senior financial executives in various multinational companies and listed companies in Hong Kong. Mr. Yuen is currently a group financial controller of a listed company in Hong Kong and an independent non-executive director of Rexcapital Financial Holdings Limited, a company listed on the Stock Exchange. Mr. Yuen was an executive director of Huabao International Holdings Limited, a company listed on the Stock Exchange. Save as disclosed above, Mr. Yuen did not hold any other directorships in listed public companies during the past three years.

A service contract has been entered into between the Company and Mr. Yuen pursuant to which (i) his term of appointment shall continue until 31st December, 2006, subject to retirement and re-election at the annual general meetings of the Company in accordance with the Articles or any other applicable laws from time to time whereby he shall vacate his office; and (ii) he is entitled to a director's fee of HK\$60,000 per annum which is based on the term of his service contract with the Company. Save as disclosed above, Mr. Yuen did not have any relationship with any Director, senior management, substantial or controlling shareholder of the Company nor had he any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date. Mr. Yuen is not aware of any other matters that need to be brought to the attention of the Shareholders.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Yuen to be disclosed.

This Appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the AGM in relation to the proposed Share Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$225,000,000 divided into 225,000,000 Shares.

Subject to the passing of the resolution granting the proposed mandate to repurchase Shares and on the basis that no further Shares are issued or repurchased before the AGM, the Company will be allowed to repurchase a maximum of 22,500,000 Shares during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares on the Stock Exchange. Such repurchases may, depending on market conditions, and funding arrangements at the time, lead to an enhancement of the net assets value of the Company and/or earnings per share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company and in circumstances where they consider that the Shares can be repurchased on the terms favourable to the Company. On the basis of the consolidated financial position of the Company as at 31st December, 2005, being the date to which the latest published audited financial statements of the Company were made up, the Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the currently prevailing market value, it may have a material adverse impact on the working capital position and gearing level of the Company. The Directors do not propose to exercise the mandate to repurchase Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company as compared with the position disclosed in the latest published audited financial statements or the gearing level which, in the opinion of the Directors, are from time to time appropriate for the Company.

FUNDING OF REPURCHASES

Repurchases to be made pursuant to the proposed mandate to repurchase Shares would be financed out of funds legally available for the purpose in accordance with the Company's memorandum of association and the Articles and the applicable laws of Hong Kong and the Listing Rules. Such funds include, but are not limited to, profits available for distribution.

EFFECT OF THE TAKEOVERS CODE AND REPURCHASE CODE

Upon the exercise of the power to repurchase Shares pursuant to the Share Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code and Rule 6 of the Repurchase Code. Accordingly, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and, depending on the level of increase of the Shareholders' interest, may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, UAF, indirectly through its wholly-owned subsidiaries, held 168,748,013 Shares according to the register maintained under section 336(1) of the SFO, representing approximately 74.999% of the issued share capital of the Company. Based on such interest and in the event that the Directors exercise in full the power to repurchase Shares under the Share Repurchase Mandate, the interest of UAF would be increased to approximately 83.332% of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases of Shares made under the Share Repurchase Mandate. In the event that the Share Repurchase Mandate is exercised in full, the number of Shares of the Company held by the public would fall below 25% of the total number of Shares in issue. The Directors have no present intention to repurchase Shares to such an extent which will result in the number of the Shares held by the public being reduced to less than 25%.

PRICE OF THE SHARES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the past twelve months:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2005		
April	0.700	0.610
May	0.710	0.650
June	1.070	0.670
July	1.090	1.060
August	1.090	1.070
September	1.090	1.080
October	1.090	1.080
November	1.000	0.950
December	1.090	1.090
2006		
January	1.750	0.980
February	1.600	1.400
March	1.500	1.200

REPURCHASE OF SHARES

No Shares of the Company have been repurchased by the Company or any of its subsidiaries during the six months immediately preceding the Latest Practicable Date.

GENERAL

To the best of their knowledge and having made all reasonable enquiries, none of the Directors nor any of their associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company or its subsidiaries if the Share Repurchase Mandate is exercised by the Company.

No connected persons of the Company (as defined in the Listing Rules) have notified the Company that they have a present intention to sell any Shares to the Company, or have undertaken not to do so in the event that the Company is authorised to make repurchases of the Shares.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate to repurchase Shares in accordance with the Listing Rules and the applicable laws of Hong Kong

APPENDIX III PROPOSED AMENDMENTS TO THE ARTICLES

Details of the proposed amendments to the Articles are set out as follows:

1. ARTICLE 81

The Article 81 be amended by deleting the words “of the Directors and” in Article 81(v).

2. ARTICLE 110

The Article 110 be amended by:

- (i) deleting the following sentence in the middle of Article 110:

“Any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election.”; and

- (ii) replacing therewith the following sentence:

“Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a causal vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election.”

3. ARTICLE 113

The Article 113 be amended by:

- (i) deleting the following sentence at the beginning of Article 113:

“The Directors shall be entitled to receive by way of remuneration for their services as directors of the Company such sum as shall from time to time be determined by the Company in general meeting which may be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only be entitled to such remuneration in proportion to the time during such period for which he has held office.”; and

- (ii) replacing therewith the following sentence:

“The Directors shall be entitled to receive by way of remuneration for their services as directors of the Company such sum as shall from time to time be determined by the Board which may be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only be entitled to such remuneration in proportion to the time during such period for which he has held office.”

4. ARTICLE 115

The Article 115 be amended by deleting the words “or the Company in general meeting” on the first line and seventh line of Article 115.

5. ARTICLE 120

The Article 120 be amended by:

- (i) deleting the following sentences at the beginning of Article 120:

“At each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation. In addition, there shall also be required to retire by rotation any Director who at an annual general meeting of the Company shall have been a Director at each of the preceding two annual general meetings of the Company and who was not elected or re-elected at either such annual general meeting and who has not otherwise ceased to be a Director (either by resignation, retirement, removal or otherwise) and been re-elected by a general meeting of the Company at or since either such annual general meeting, notwithstanding any other provisions in these Articles and/or that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors for the time being.”; and

- (ii) replacing therewith the following sentence:

“Subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office such that each Director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years at the annual general meeting.”

6. ARTICLE 127

The Article 127 be amended by deleting it in its entirety.

NOTICE OF ANNUAL GENERAL MEETING



THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(香港建屋貸款有限公司)
(Incorporated in Hong Kong with limited liability)
(Stock Code: 145)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“Meeting”) of The Hong Kong Building and Loan Agency Limited (香港建屋貸款有限公司) (“Company”) will be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 12th May, 2006 at 10:00 a.m. for the following purposes:

1. To receive and adopt the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2005.
2. To re-appoint Directors appointed during the period between the last annual general meeting and the date of this notice pursuant to Article 110 of the Articles of Association of the Company and to authorise the Board of Directors to fix the Directors’ remuneration.
3. To re-appoint Messrs. Deloitte Touche Tohmatsu as Auditors and authorise the Board of Directors to fix their remuneration. A special notice has been received from a member of the Company, pursuant to Sections 116C and 132 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), of the intention to propose the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** Messrs. Deloitte Touche Tohmatsu, who were appointed as Auditors of the Company by the Directors to fill the casual vacancy following the resignation of Messrs. Ernst & Young with effect from 13th January, 2006, be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next annual general meeting at a fee to be agreed with the Directors.”

4. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

(A) “**THAT:**

- (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of the Company (“Shares”) or securities convertible into Shares, or options, warrants or similar rights

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to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (b) the approval given in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; or
 - (iii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the articles of association of the Company from time to time,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

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“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares whose names stand on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

(B) **“THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and regulations, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Share which may be repurchased by the Company pursuant to paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution, and the approval granted under paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

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- (C) “**THAT** conditional upon the passing of Resolutions 4(A) and 4(B) as set out in the notice convening the Meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with additional securities of the Company pursuant to Resolution 4(A) as set out in the notice convening the Meeting be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of the Shares repurchased by the Company under the authority granted pursuant to Resolution 4(B) as set out in the notice convening the Meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution.”
5. By way of special business, to consider and, if thought fit, pass the following resolution as a special resolution:

SPECIAL RESOLUTION

“**THAT** the Articles of Association of the Company be and is hereby amended in the following manner:

- (a) the Article 81 be amended by deleting the words “of the Directors and” in Article 81(v).
- (b) the Article 110 be amended by:
- (i) deleting the following sentence in the middle of Article 110:

“Any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election.”; and
 - (ii) replacing therewith the following sentence:

“Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a causal vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election.”
- (c) the Article 113 be amended by:
- (i) deleting the following sentence at the beginning of Article 113:

“The Directors shall be entitled to receive by way of remuneration for their services as directors of the Company such sum as shall from time to time be determined by the Company in general meeting which may be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director holding office for less than

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the whole of the relevant period in respect of which the remuneration is paid shall only be entitled to such remuneration in proportion to the time during such period for which he has held office.”; and

- (ii) replacing therewith the following sentence:

“The Directors shall be entitled to receive by way of remuneration for their services as directors of the Company such sum as shall from time to time be determined by the Board which may be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only be entitled to such remuneration in proportion to the time during such period for which he has held office.”

- (d) the Article 115 be amended by deleting the words “or the Company in general meeting” on the first line and seventh line of Article 115.

- (e) the Article 120 be amended by:

- (i) deleting the following sentences at the beginning of Article 120:

“At each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation. In addition, there shall also be required to retire by rotation any Director who at an annual general meeting of the Company shall have been a Director at each of the preceding two annual general meetings of the Company and who was not elected or re-elected at either such annual general meeting and who has not otherwise ceased to be a Director (either by resignation, retirement, removal or otherwise) and been re-elected by a general meeting of the Company at or since either such annual general meeting, notwithstanding any other provisions in these Articles and/or that the total number of Directors to retire at the relevant annual general meeting would as a result exceed one-third of the Directors for the time being.”; and

- (ii) replacing therewith the following sentence:

“Subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office such that each Director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years at the annual general meeting.”

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(f) the Article 127 be amended by deleting it in its entirety.”

By Order of the Board
**THE HONG KONG BUILDING AND
LOAN AGENCY LIMITED**
Stephen Lo Kam Fai
Company Secretary

Hong Kong, 7th April, 2006

Registered Office:

Room 2101
21st Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Notes:

- 1. A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint another person as his proxy to attend and vote in his stead. A proxy need not be a member of the Company. A member of the Company may appoint more than one proxy to attend the Meeting.*
- 2. A form of proxy in respect of the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.*
- 3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's registered office at Room 2101, 21st Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.*
- 4. Where there are joint holders of any Share, any one of such joint holders may vote at the Meeting either personally or by proxy in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such Share.*
- 5. In respect of Resolution 4(A) above, the Directors wish to state that they have no immediate plans to issue any new securities of the Company under this mandate. Approval is being sought from members as a general mandate, in compliance with the Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange, in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any securities of the Company up to 20% of the existing issued share capital at the date of the passing of the resolution.*
- 6. The general purpose of the authority to be conferred on the Directors by Resolution 4(B) above is to increase flexibility and to provide discretion to the Directors in the event that it becomes desirable to repurchase Shares representing up to a maximum of 10% of the issued share capital of the Company at the date of the passing of the resolution on the Stock Exchange.*