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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)

**PROPOSED SUBDIVISION OF SHARES
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
CHANGE IN BOARD LOT SIZE**

The Board proposes that each of the existing issued and unissued Shares of HK\$1.00 each in the share capital of the Company be subdivided into 10 shares of HK\$0.10 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out below. The Shares are currently traded on the Main Board of the Stock Exchange in board lots of 1,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded on the Main Board of the Stock Exchange in board lots of 8,000 Subdivided Shares.

The Board also proposes to increase the authorised share capital to HK\$500,000,000 comprising 5,000,000,000 Subdivided Shares of HK\$0.10 each by the creation of an additional 2,000,000,000 Subdivided Shares of HK\$0.10 each after completion of the Share Subdivision.

Ordinary resolutions to approve the Share Subdivision and the Increase in Authorised Share Capital will be proposed at the EGM.

A circular containing, among other things, the details of the Share Subdivision and the Increase in the Authorised Share Capital together with the notice of the EGM will be despatched to Shareholders as soon as practicable.

PROPOSED SHARE SUBDIVISION

The Board proposes that each of the existing issued and unissued shares of HK\$1.00 each in the share capital of the Company be subdivided into 10 shares of HK\$0.10 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out below. The Shares are currently traded on the Main Board of the Stock Exchange in board lots of 1,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded on the Main Board of the Stock Exchange in board lots of 8,000 Subdivided Shares.

Reasons for Share Subdivision

The proposed Share Subdivision will decrease the nominal value, and increase the total number of Shares of the Company currently in issue. The Share Subdivision will bring about a corresponding downward adjustment to the trading price of the Shares of the Company on the Stock Exchange and enhance their liquidity. Accordingly, the Board is of the view that the Share Subdivision is beneficial to the Company and Shareholders as a whole.

Other than the expenses, including professional fees and printing charges, to be incurred in relation to the Share Subdivision, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the shareholdings, rights and interests of the Shareholders.

Shareholding Structure

As at the date of this announcement, the authorised share capital of the Company is HK\$300,000,000, divided into 300,000,000 Shares, of which 225,000,000 Shares are in issue and fully paid. Immediately upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$300,000,000 divided into 3,000,000,000 Subdivided Shares, of which 2,250,000,000 Subdivided Shares will be in issue and fully paid assuming that no further Shares are issued prior to the Share Subdivision becoming effective.

The Subdivided Shares will rank *pari passu* in all respects with the Shares in issue prior to the Share Subdivision and the rights attaching to the Subdivided Shares will not be affected by the Share Subdivision.

Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase in the authorized share capital of the Company after the completion of the Share Subdivision. As at the date of this announcement, the authorised share capital of the Company is HK\$300,000,000 comprising 300,000,000 Shares of HK\$1.00 each, out of which 225,000,000 Shares have been issued and are fully paid. After the completion of the Share Subdivision, the authorised share capital of the Company will be HK\$300,000,000 comprising 3,000,000,000 Subdivided Shares of HK\$0.10 each, of which 2,250,000,000 Subdivided Shares shall have been issued and fully paid. The Board proposes to increase the authorised share capital to HK\$500,000,000 comprising 5,000,000,000 Shares of HK\$0.10 each by the creation of an additional 2,000,000,000 Shares of HK\$0.10 each.

Immediately after the completion of the Share Subdivision and the Increase in the Authorised Share Capital and assuming no new Shares are issued or repurchased from the date hereof prior to the EGM, the authorised share capital of the Company will be HK\$500,000,000 divided into 5,000,000,000 Subdivided Shares of HK\$0.10 each, with 2,250,000,000 issued Subdivided Shares and 2,750,000,000 unissued Subdivided Shares.

Reasons for Increase in Authorised Share Capital

The Board proposes the Increase in the Authorised Share Capital in order to accommodate future expansion and growth of the Group and to facilitate further fund raising activity. The Board believes that the Increase in the Authorised Share Capital is for the benefit of the Company and the Shareholders as a whole.

Condition of the Increase in Authorised Share Capital

The Increase in the Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

CHANGE OF BOARD LOT SIZE

As at the date of this announcement, the Shares are currently traded on the Main Board of the Stock Exchange in board lots of 1,000 Shares. Upon the Share Subdivision becoming effective, the Board proposes the Subdivided Shares will be traded on the Main Board of the Stock Exchange in board lots of 8,000 Subdivided Shares. The change of board lot size, together with the Share Subdivision, is effected to reduce the board lot value of the Shares. Based on the closing price of the Shares as at the date of this announcement, the current board lot value is HK\$3,470. The change of board lot size to 8,000 Subdivided Shares, together with the Share Subdivision, will reduce the board lot value to HK\$2,776 (calculated based on the closing price of the date of this announcement and adjusted for the effect of Share Subdivision).

In order to alleviate the difficulties arising from the existence of odd lots resulting from the Share Subdivision and the change in board lot size, the Company will arrange for matching services regarding the sale and purchase of such odd lots from 15 January 2010 to 22 February 2010 (both days inclusive). Shareholders should note that matching of the sales and purchases of such odd lots is on a best-effort basis and successful matching is not guaranteed. The Company will bear the costs for the matching services. The Directors consider that the change of the board lot size is in the interest of the Company and the Shareholders as a whole.

The expected timetable for the implementation of the Share Subdivision and the change in board lot size is set out below.

EXPECTED TIMETABLE

Despatch of the circular regarding, among other matters, the Share Subdivision and the Increase in the Authorised Share Capital	18 December 2009
Publication of the notice of EGM	18 December 2009
Latest time for lodging the form of proxy for the EGM	11:00 a.m., 12 January 2010
EGM	11:00 a.m., 14 January 2010
Announcement of poll results of the EGM	14 January 2010

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Subdivision

- Effective date of the Share Subdivision. 15 January 2010
- Dealings in the Subdivided Shares commence. 9:30 a.m., 15 January 2010
- Original counter for trading in existing Shares
in board lots of 1,000 Shares temporarily closes9:30 a.m., 15 January 2010
- Temporary counter for trading in board lots of
10,000 Subdivided Shares (in the form of
certificates of existing Shares)
 (“**Existing Share Certificates**”) opens 9:30 a.m., 15 January 2010
- First day of free exchange of Existing Share Certificates
for new certificates for the Subdivided Shares
 (“**New Share Certificates**”) 15 January 2010
- First day of operation of odd lot trading facility 15 January 2010
- Original counter for trading in Subdivided Shares in
board lots of 8,000 Subdivided Shares (in the form
of New Share Certificates) reopens9:30 a.m.,29 January 2010
- Parallel trading in Subdivided Shares (in the form of
New Share Certificates and the Existing Share
Certificates) Commences. 9:30 a.m., 29 January 2010
- Parallel trading in Subdivided Shares (in the form
of New Share Certificates and the Existing Share
Certificates) ends 4:00 p.m., 22 February 2010
- Temporary counter for trading in board lots of 10,000
Subdivided Shares (in the form of Existing Share
Certificates) closes 4:00 p.m., 22 February 2010
- Last day of operation of odd lot trading facility22 February 2010
- Last day for free exchange of Existing Share
Certificates for the New Share Certificates 4:30 p.m., 24 February 2010

Subject to fulfillment of the conditions set out above and the Share Subdivision taking effect, it is expected that as from Friday, 15 January 2010 New Share Certificates will be issued in board lots of 8,000 Subdivided Shares. The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Monday, 22 February 2010 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the Existing Share Certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of one (1) Share for ten (10) Subdivided Shares and may be exchanged free of charge for the New Share Certificates for Subdivided Shares at any time between 9:00 a.m. to 4:30 p.m. from Friday, 15 January 2010 to Wednesday, 24 February 2010 (both dates inclusive), and on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each New Share Certificate issued for the Subdivided Shares or each Existing Share Certificate submitted, whichever number of share certificate(s) involved is higher at any time after 4:30 p.m. Wednesday, 24 February 2010, at the Company's share registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. It is expected that New Share Certificates will be available for collection within a period of 10 business days after the submission of the Existing Share Certificates. The New Share Certificates will be issued in green colour to distinguish them from Existing Share Certificates which are in pink colour.

GENERAL

An application will be made to the Stock Exchange for the listing of and permission to deal in the Subdivided Shares. A circular containing, among other things, details of the Share Subdivision and the Increase in the Authorised Share Capital together with the notice of the EGM will be despatched to Shareholders as soon as practicable.

Ordinary resolutions to approve the Share Subdivision and the Increase in the Authorised Share Capital will be proposed at the EGM. As no Shareholders have a material interest in the Share Subdivision and the Increase in the Authorised Share Capital, no Shareholder will be required to abstain from voting on the resolutions to approve the Share Subdivision and the Increase in the Authorised Share Capital.

DEFINITIONS

“Board”	the board of Directors
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated under the laws of Hong Kong with limited liability
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the proposed Share Subdivision and the Increase in the Authorised Share Capital

“Increase in the Authorised Share Capital”	proposed increase in the authorised share capital of the Company after the completion of the Share Subdivision from HK\$300,000,000 divided into 3,000,000,000 Shares of HK\$0.10 each to HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each by the creation of an additional 2,000,000,000 Shares of HK\$0.10 each
“Shareholder(s)”	holder(s) of Shares or Subdivided Shares, as the case may be
“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company prior to the Share Subdivision
“Share Subdivision”	the proposed subdivision of each Share into 10 Subdivided Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	subdivided ordinary share(s) of HK\$0.10 each in the issued and unissued share capital of the Company upon completion of the Share Subdivision
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the People’s Republic of China

By order of the Board
The Hong Kong Building and Loan Agency Limited
Tang Yu Ming, Nelson
Chairman

Hong Kong, 2 December 2009

As at the date of this announcement, the Board comprises Mr. Lau Yu Fung, Wilson, Mr. Chan Chun Wai and Mr. Au Tin Fung being executive Directors; Mr. Tang Yu Ming, Nelson (Chairman) being non-executive Director; and Mr. Chan Chi Yuen being independent non-executive Director.