
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or otherwise transferred all your securities in The Hong Kong Building and Loan Agency Limited, you should at once hand this document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

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

MERCURIUS PARTNERS INVESTMENTS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

MANDATORY UNCONDITIONAL CASH OFFER BY SOMERLEY LIMITED

on behalf of

MERCURIUS PARTNERS INVESTMENTS LIMITED

for all the issued shares in

THE HONG KONG BUILDING AND LOAN AGENCY LIMITED

(other than those already owned by

Mercurius Partners Investments Limited

and parties acting in concert with it)

Financial adviser to Mercurius Partners Investments Limited



SOMERLEY LIMITED

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the share registrar of The Hong Kong Building and Loan Agency Limited, Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Tuesday, 3 July 2007 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

This document will be available for inspection on the website of the Stock Exchange at www.hkex.com.hk as long as the Offer remains open.

4 June 2007

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EXPECTED TIMETABLE

2007

(Note 1)

Offer opens for acceptances (Note 2)	Monday, 4 June
Latest date for posting of the Offeree Document (Note 3)	Monday, 18 June
Latest time and date for acceptance of the Offer (Note 4)	4:00 p.m. on Tuesday, 3 July
Closing Date (Note 4)	Tuesday, 3 July
Announcement in respect of the closing of the Offer and the level of valid acceptances under the Offer uploaded to the Stock Exchange's website	not later than 7:00 p.m. on Tuesday, 3 July
Announcement in respect of the closing of the Offer and the level of valid acceptances under the Offer published in at least one Chinese newspaper and one English newspaper	Wednesday, 4 July
Latest date for posting of remittances to the HKBLA Shareholders in respect of valid acceptances of the Offer (Note 5)	Friday, 13 July

Notes:

1. All references to times and dates in this document refer to Hong Kong local times and dates.
2. The Offer is made on Monday, 4 June 2007, being the date of posting this document, and is capable of acceptance on and from that date.
3. In accordance with the Takeovers Code, HKBLA is required to post the Offeree Document to holders of HKBLA Shares within 14 days from the posting of this document, unless the Executive consents to a later date and the Offeror agrees to extend the Closing Date.
4. In accordance with the Takeovers Code, where the Offeree Document is posted after the date on which this document is posted, the Offer must remain open for acceptance for at least 28 days following the date on which this document is posted, and where a period laid down by the Takeovers Code ends on a day which is not a business day, the period is extended until the next business day. Accordingly, the Offer, which is unconditional, will close at 4:00 p.m. on Tuesday, 3 July 2007 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.
5. In accordance with the Takeovers Code, the amounts due to each of the HKBLA Shareholders who accepts the Offer shall be paid for by the Offeror as soon as possible but in any event within 10 days of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid.

DEFINITIONS

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

“Acquisition”	the acquisition by the Offeror of the Sale Share and the Shareholder’s Loan pursuant to the Agreement
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Agreement”	the conditional sale and purchase agreement dated 11 May 2007 entered into among the Offeror, the Vendor and UAF in relation to the Acquisition
“Announcement”	the announcement dated 14 May 2007 made by the Offeror in relation to the Offer and published in The Standard and Hong Kong Economic Times on 15 May 2007
“associate(s)”	has the meaning ascribed thereto in the Takeovers Code
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	the closing date of the Offer, being Tuesday, 3 July 2007, or any subsequent closing date(s) as may be determined and announced by the Offeror with the consent of the Executive
“Completion”	completion of the Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Form of Acceptance”	the form of acceptance and transfer of HKBLA Shares in respect of the Offer accompanying this document
“HKBLA”	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 (stock code: 145)
“HKBLA Group”	HKBLA and its subsidiaries
“HKBLA Share(s)”	ordinary share(s) of HK\$1.0 each in the issued share capital of HKBLA

DEFINITIONS

“HKBLA Shareholder(s)”	holder(s) of the HKBLA Share(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of HKBLA constituted by HKBLA to advise the HKBLA Shareholders (other than the Offeror and parties acting in concert with it) on the Offer
“Island New”	Island New Finance Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor as at the date of the Agreement
“Last Trading Day”	11 May 2007, being the last trading day of the HKBLA Shares prior to the suspension of trading on the Stock Exchange on 14 May 2007
“Latest Practicable Date”	1 June 2007, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information for inclusion herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the unconditional mandatory cash offer being made by Somerley on behalf of the Offeror for all the HKBLA Shares other than those already owned by the Offeror and parties acting in concert with it
“Offer Price”	the price at which the Offer will be made, i.e. at HK\$1.475 per HKBLA Share
“Offeree Document”	the response document in respect of the Offer to be issued by HKBLA to the HKBLA Shareholders in accordance with the Takeovers Code
“Offeror”	Mercurius Partners Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Mercurius Partners, LLP

DEFINITIONS

“PRC”	the People’s Republic of China (for the purpose of this document, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)
“Registrar”	Tengis Limited, the share registrar of HKBLA at 26/F Tesbury Centre, 28 Queen’s Road East, Hong Kong
“Sale Share”	one share of US\$1.0 in the capital of Island New, representing the entire issued share capital of Island New as at the date of the Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder’s Loan”	the shareholder’s loan advanced by the Vendor to Island New and outstanding as at the date of the Agreement and at Completion
“Sommerley”	Sommerley Limited, the financial adviser to the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Onspeed Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of United Asia Finance Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

All time references contained in this document refer to Hong Kong time.

For illustration purpose, translation of US\$ into HK\$ in this document has been made at the rate of US\$1 to HK\$7.80.

LETTER FROM SOMERLEY



Somerley Limited

10/F., The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

4 June 2007

To the holders of HKBLA Shares

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY LIMITED
on behalf of
MERCURIUS PARTNERS INVESTMENTS LIMITED
for all the issued shares in
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(other than those already owned by
Mercurius Partners Investments Limited
and parties acting in concert with it)**

INTRODUCTION

On 11 May 2007, the Offeror and the Vendor entered into the Agreement, pursuant to which the Offeror has conditionally agreed to acquire from the Vendor (i) the Sale Share; and (ii) the benefit of the Shareholder's Loan for an aggregate consideration of HK\$248,903,319. The sole asset of Island New is its interest in 168,748,013 HKBLA Shares (representing approximately 74.99% of the issued share capital of HKBLA) and the sole liability of Island New is the Shareholder's Loan. Completion of the Agreement took place on 31 May 2007.

Upon Completion, the Offeror and parties acting in concert with it became interested in the Sale Share and indirectly interested in 168,748,013 HKBLA Shares (representing approximately 74.99% of the issued share capital of HKBLA). In compliance with Note 8 to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it are required to make a mandatory unconditional offer for all the HKBLA Shares other than those already owned by the Offeror and parties acting in concert with it. Somerley, the financial adviser to the Offeror, is making the mandatory unconditional cash offer on behalf of the Offeror for all the issued HKBLA Shares (other than those already owned by the Offeror and parties acting in concert with it).

This letter sets out the details of the Offer, information on the Offeror and the intention of the Offeror regarding the HKBLA Group. The terms of the Offer are set out below in this letter and the Form of Acceptance.

LETTER FROM SOMERLEY

Pursuant to the Takeovers Code, HKBLA has appointed an independent financial adviser to advise the Independent Board Committee and the HKBLA Shareholders (other than the Offeror and parties acting in concert with it) in respect of the Offer. HKBLA is also required to despatch the Offeree Document to the HKBLA Shareholders containing, among other things, the respective advice of the Independent Board Committee and the independent financial adviser in respect of the Offer within 14 days after the posting of this document.

THE OFFER

The Offer is being made by Somerley on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each HKBLA Share.....HK\$1.475 in cash

The HKBLA Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date hereof, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Announcement.

HKBLA did not have any outstanding options, warrants or convertible securities as at the date of the Agreement and the Latest Practicable Date.

Basis of the Offer Price

The Offer is triggered pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code whereby the Offeror is obliged to make an offer for the HKBLA Shares other than those already owned by the Offeror and parties acting in concert with it as a result of it acquiring statutory control of Island New which in turn holds a controlling interest in HKBLA. The Offer Price has been determined after taking into consideration the value of the aggregate consideration for the Sale Share and the Shareholder's Loan under the Agreement, the number of HKBLA Shares held by Island New as at the date of the Agreement and at Completion and the outstanding amount of the Shareholder's Loan of HK\$192,852,975 as at the date of the Agreement and at Completion.

Comparison of value

The Offer Price of HK\$1.475 per HKBLA Share represents:

- (i) a discount of approximately 35.9% to the closing price of HK\$2.30 per HKBLA Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.7% to the average closing price of approximately HK\$2.26 per HKBLA Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

LETTER FROM SOMERLEY

- (iii) a discount of approximately 35.8% to the average closing price of approximately HK\$2.296 per HKBLA Share as quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 69.3% to the closing price of HK\$4.80 per HKBLA Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 43.2% over the audited consolidated net asset value of approximately HK\$1.03 per HKBLA Share (calculated based on the audited consolidated net asset value of approximately HK\$231.9 million and 225,000,000 HKBLA Shares in issue as at 31 December 2006 as shown in the annual report of HKBLA for the financial year ended 31 December 2006).

Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the HKBLA Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the consideration payable to the relevant HKBLA Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting HKBLA Shareholders and will pay the buyer's ad valorem stamp duty in connection with the transfer of the HKBLA Shares accepted under the Offer.

Total consideration

On the basis of the Offer Price of HK\$1.475 per HKBLA Share, the entire issued share capital of HKBLA of 225,000,000 HKBLA Shares is valued at approximately HK\$331.9 million. There are 56,251,987 HKBLA Shares subject to the Offer and the Offer is valued at approximately HK\$83.0 million.

Mercurius Partners, LLP, holding the entire issued share capital of the Offeror, has obtained a facility from HSBC Bank USA, N.A. and undertaken to ear-mark US\$45 million (equivalent to approximately HK\$351.0 million) of such facility for the purpose of the Offeror making payments for the Acquisition and the Offer. The payment of interest and repayment of any amount due under the aforesaid facility by the Offeror to Mercurius Partners, LLP, or by Mercurius Partners, LLP will not depend on the business of HKBLA. Somerley is satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offer.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within 10 days of the date on which the relevant documents of title are received by the Registrar to render each such acceptances complete and valid.

LETTER FROM SOMERLEY

Further terms of the Offer

Further terms and conditions of the Offer, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this document and in the Form of Acceptance.

INFORMATION ON HKBLA

According to the annual report of HKBLA for the financial year ended 31 December 2006, the HKBLA Group is principally engaged in investment holding, treasury investments and the provision of mortgage finance and other related services; for the year ended 31 December 2005, the HKBLA Group recorded audited consolidated profit before taxation of approximately HK\$1.2 million and audited profit after taxation of approximately HK\$1.2 million; for the year ended 31 December 2006, the HKBLA Group recorded audited consolidated profit before taxation of approximately HK\$12.1 million and audited profit after taxation of approximately HK\$11.3 million; and the audited consolidated net asset value of the HKBLA Group as at 31 December 2006 was approximately HK\$231.9 million.

SHAREHOLDING STRUCTURE

Set out below are the respective shareholding structures of HKBLA as at the date of the Agreement and immediately after Completion:

	As at the date of the Agreement		Immediately after Completion	
	<i>Number of HKBLA Shares</i>	<i>%</i>	<i>Number of HKBLA Shares</i>	<i>%</i>
Island New (<i>Note</i>)	168,748,013	74.99	168,748,013	74.99
Public HKBLA Shareholders	<u>56,251,987</u>	<u>25.01</u>	<u>56,251,987</u>	<u>25.01</u>
Total	<u>225,000,000</u>	<u>100.00</u>	<u>225,000,000</u>	<u>100.00</u>

Note: As at the date of the Agreement, Island New was controlled by Sun Hung Kai & Co. Limited. Immediately after Completion and as at the Latest Practicable Date, Island New was controlled by the Offeror.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company and a wholly-owned subsidiary of Mercurius Partners, LLP. Mercurius Partners, LLP is an investment holding limited liability partnership which primarily holds investments in various investment funds, with most of the underlying investments being listed securities in Asia. Mercurius Partners, LLP is in turn wholly and beneficially owned by family members of Mr. John Zwaanstra and Mercurius Partners Trust and the sole initial beneficiary thereof is wholly and beneficially owned by Mr. John Zwaanstra. Save for the entering into and Completion of the Agreement, the Offeror has not conducted any other business since incorporation.

LETTER FROM SOMERLEY

Mr. John Zwaanstra is a professional investor who has extensive experience in investment management and securities analysis. He is the founder of Penta Investment Advisers Limited which is the investment manager of a limited number of investment funds. He has over 10 years of experience in investment management with hedge fund groups responsible for investment portfolios with a primary focus in Asia.

REASONS FOR THE ACQUISITION AND OFFEROR'S INTENTION REGARDING THE HKBLA GROUP

Reasons for the Acquisition and intention regarding the HKBLA Group

The Offeror intends that the HKBLA Group will continue its existing principal activities after the close of the Offer. The Offeror will conduct a review of the business operations and financial position of the HKBLA Group after Completion with a view to formulating a business plan and strategy suitable for the HKBLA Group. At the same time, the Offeror will evaluate any and all other options, including but not limited to expanding the current financial services business of HKBLA, commencing real estate development business or expanding into other businesses on an opportunistic basis. Subject to the result of the review, the Offeror has no intention to re-deploy the employees or the fixed assets of the HKBLA Group by reason only of the Offer and other than in its ordinary course of business.

The Offeror considers that the Acquisition represents an opportunity to invest in a majority stake in a listed company, through which it can develop the business opportunities it may identify from time to time.

Proposed change of composition of the board of directors of HKBLA

The Offeror intends to nominate at least three persons as executive directors of HKBLA. It is agreed that all the existing directors of HKBLA, namely Mr. Akihiro Nagahara, Mr. Stephen Lo Kam Fai, Mr. Poon Mo Yiu, Mr. Chan Bo Ching, Mr. Li Chak Hung and Mr. Yuen Wai Ho, will resign after the close of the Offer.

Further announcement(s) in relation to the appointment and resignation of directors will be made by HKBLA as and when appropriate.

Compulsory acquisition

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available under the provisions of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) to acquire compulsorily, after the Offer is closed, any outstanding issued HKBLA Shares not acquired under the Offer.

LETTER FROM SOMERLEY

Maintaining the listing status of HKBLA

The Offeror intends to maintain the listing of the HKBLA Shares on the Main Board of the Stock Exchange after the close of the Offer. The directors of the Offeror and the proposed directors of HKBLA to be nominated by the Offeror and appointed to the board of directors of HKBLA will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the HKBLA Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to HKBLA, being 25% of the issued HKBLA Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the HKBLA Shares; or (ii) there are insufficient HKBLA Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the HKBLA Shares.

GENERAL

Acceptance of the Offer by any persons holding HKBLA Shares will be deemed to constitute a warranty by such person or persons to the Offeror that the HKBLA Shares acquired under the Offer are sold by such persons free from all liens, claims, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the right to receive all dividends and distributions declared, made or paid on or after date of the Announcement.

To ensure equality of treatment of all HKBLA Shareholders, those registered HKBLA Shareholders who hold HKBLA Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the HKBLA Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the HKBLA Shareholders with a registered address in jurisdiction outside Hong Kong is drawn to the section headed “Overseas HKBLA Shareholders” in Appendix I to this document.

Stockbrokers, banks and others who deal in relevant securities of HKBLA on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules pursuant to the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1 million.

LETTER FROM SOMERLEY

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this document, which form part of this document.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

1. PROCEDURES FOR ACCEPTANCE

If the HKBLA Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your HKBLA Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant HKBLA Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

If the HKBLA Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your HKBLA Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or for part of your HKBLA Shares, you must either:

- (a) lodge your HKBLA Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant HKBLA Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
- (b) arrange for the HKBLA Shares to be registered in your name by HKBLA through the Registrar and send the Form of Acceptance duly completed and signed together with the relevant HKBLA Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
- (c) if your HKBLA Shares have been lodged with your licensed securities dealer/ custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer in your securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
- (d) if your HKBLA Shares have been lodged with your Investor Participant's Account with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System before the deadline set by HKSCC Nominees Limited.

If the HKBLA Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your HKBLA Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your HKBLA Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your HKBLA Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your HKBLA Shares for registration in your name and have not yet received your HKBLA Share certificate(s), and you wish to accept the Offer, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror, Somerley or their respective agent(s) to collect from HKBLA or the Registrar on your behalf the relevant HKBLA Share certificate(s) when issued and to deliver such HKBLA Share certificates to the Registrar and to authorise and instruct the Registrar to hold such HKBLA Share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Registrar with the Form of Acceptance.

An acceptance of the Offer may not be counted as valid unless:

- (a) it is received by the Registrar on or before 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that such acceptance and any relevant documents required under paragraph (b) below have been so received; and
- (b) the Form of Acceptance is duly completed and signed and is:
 - (i) accompanied by HKBLA Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those HKBLA Share certificate(s) is/ are not in the your name, such other documents (e.g. a duly stamped transfer of the relevant HKBLA Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant HKBLA Shares; or
 - (ii) from a registered HKBLA Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the HKBLA Shares which are not taken into account under the other sub-paragraph of this paragraph (b)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered HKBLA Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

No acknowledgement of receipt of any Form of Acceptance, HKBLA Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT

Provided that the Form of Acceptance and relevant HKBLA Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are completed and in good order and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each accepting HKBLA Shareholder in respect of the HKBLA Shares tendered by him under the Offer, less seller's ad valorem stamp duty payable by him, will be despatched to each accepting HKBLA Shareholder at the address specified on the Form of Acceptance by ordinary post at his own risk as soon as possible but in any event within 10 days of the date on which all the relevant documents of title are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting HKBLA Shareholder(s) is/are entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting HKBLA Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has previously been extended or revised, the latest time and date for acceptance will be 4:00 p.m. on the Closing Date. The Offeror reserves the right to extend the Offer or revise the terms of the Offer subject to the relevant provisions of the Takeovers Code. If the Offeror revises the terms of the Offer, all HKBLA Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

If the Offer is revised, the announcement of such revision will state the revised date of closing. A revised offer must be kept open for acceptance for a period of not less than 14 days following the date on which written notification of the revised offer is posted to the HKBLA Shareholders.

4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date, or such later time and/or date as the Executive may in exceptional circumstances permit, the Offeror must inform the Executive and the Stock Exchange of its decisions in relation to revision, extension or expiry of the Offer. The Offeror shall publish an announcement to be posted on the Stock Exchange's website by

7:00 p.m. on the Closing Date stating whether the Offer has been revised, extended or expired. Such announcement will be published on the next business day in accordance with paragraph (b) below. The announcement shall specify the number of HKBLA Shares (i) for which valid acceptances of the Offer have been received; (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the period of the Offer; and (iii) acquired by the Offeror or any person acting in concert with it during the period of the Offer.

The announcement must specify the percentages of the relevant classes of share capital and the percentages of voting rights represented by these numbers of HKBLA Shares.

- (b) As required under the Takeovers Code and the Listing Rules, any announcements in relation to the Offer, in respect of which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

5. RIGHT OF WITHDRAWAL

The Offer is unconditional and acceptance of the Offer tendered by the HKBLA Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the section headed “Announcements” above, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such requirements can be met.

6. STAMP DUTY

Seller’s ad valorem stamp duty at a rate of 0.1% of the market value of the HKBLA Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the consideration payable to the relevant HKBLA Shareholders who accept the Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the accepting HKBLA Shareholders and will pay the buyer’s ad valorem stamp duty in connection with the transfer of the HKBLA Shares accepted under the Offer.

7. TAXATION

HKBLA Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offer. None of the Offeror and parties acting in concert with it, Somerley or any of their respective directors or any persons involved in the Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

8. OVERSEAS HKBLA SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdiction. HKBLA Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each person who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction.

9. GENERAL

- (a) All communications, notices, Form of Acceptance, HKBLA Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the HKBLA Shareholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of the Offeror, Somerley, the Registrar or any of their respective directors or agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, any director of the Offeror, Somerley or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the HKBLA Shares in respect of which such person or persons has/have accepted the Offer.
- (f) References to the Offer in this document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (g) The English text of this document and of the Form of Acceptance shall prevail over their respective Chinese text.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this document, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no facts not contained in this document, the omission of which would make any statement in this document misleading.

The information relating to the HKBLA Group contained in this document has been taken from the annual reports and accounts of HKBLA for the financial year ended 31 December 2006, from public announcements made by HKBLA and the official website of the Stock Exchange. The only responsibility accepted by the directors of the Offeror in respect of information relating to the HKBLA Group is to ensure that it has been correctly and fairly reproduced or presented.

2. DISCLOSURE OF INTEREST

For the purpose of this appendix, the references to “interest(s)” shall have the meanings ascribed thereto in Part XV of the SFO; and “HKBLA Shareholdings” means the HKBLA Shares and any other securities of HKBLA which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them.

As at the Latest Practicable Date and immediately after Completion, the interests of the Offeror and parties acting in concert with it in the HKBLA Shareholdings were as follows:

Name	Number of HKBLA Shares held	Approximate % of shareholding
Mercurius Partners Investments Limited	168,748,013	74.99%

As at the Latest Practicable Date, save for the interest disclosed above and save as Mr. John Zwaanstra’s interest in the above 168,748,013 HKBLA Shares through his beneficial interests in the Offeror, none of the Offeror, parties acting in concert with it and the directors of the Offeror owned or controlled any interest in the HKBLA Shareholdings.

As at the Latest Practicable Date, none of Somerley and its group companies and their respective directors owned or controlled any interest in the HKBLA Shareholdings.

As at the Latest Practicable Date, no persons who owned or controlled any interest in the HKBLA Shareholdings had irrevocable committed themselves to accept or reject the Offer.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any party acting in concert with the Offeror.

There is no agreement, arrangement for or understanding for any transfer, charge or pledge of HKBLA Shares acquired pursuant to the Offer to any other person.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror and parties acting in concert with it is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

3. DEALINGS

During the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date, the Offeror and parties acting in concert with it (including the directors of the Offeror) had not dealt for value in the HKBLA Shareholdings, save in respect of the Acquisition.

4. MARKET PRICES

The table below shows the closing prices per HKBLA Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last trading day of each of the calendar months during the period commencing on the date falling six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date.

Date	Closing Price <i>HK\$</i>
30 November 2006	0.98
29 December 2006	1.11
31 January 2007	1.29
28 February 2007	2.04
30 March 2007	2.01
30 April 2007	2.35
31 May 2007	4.98
The Last Trading Day	2.30
The Latest Practicable Date	4.80

The highest and lowest closing price per HKBLA Share as quoted on the Stock Exchange during the period commencing on the date falling six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date were HK\$5.00 per HKBLA Share on 30 May 2007 and HK\$0.98 per HKBLA Share on 1 December 2006 respectively.

5. CONSENT AND QUALIFICATION

Name	Qualification
Somerley Limited	A licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities

Somerley has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the text of its letter and the references to its name in the form and context in which they respectively appear.

6. MISCELLANEOUS

- (a) As at the Latest Practicable Date, no agreements, arrangements or understandings (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the directors of HKBLA, recent directors of HKBLA, and HKBLA Shareholders or recent HKBLA Shareholders which have any connection with or dependence upon the Offer.
- (b) The registered office of the Offeror is situated at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.
- (c) The registered office of Somerley is situated at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.
- (d) As at the Latest Practicable Date, no benefit would be given to any directors of HKBLA as compensation for loss of office or otherwise in connection with the Offer (save as statutory compensation required under the applicable laws).
- (e) The directors of the Offeror are Mr. John Zwaanstra and Mr. John Pridjian.
- (f) As at the Latest Practicable Date, the Offeror was a wholly-owned subsidiary of Mercurius Partners, LLP. The managing partner of Mercurius Partners, LLP is Mercurius Partners Trust.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons, the legal advisers to the Offeror, at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday, except Saturdays, Sundays and public holidays for so long as the Offer remains open for acceptance:

- (a) memorandum and articles of association of the Offeror;
- (b) the letter from Somerley, the text of which is set out on pages 5 to 11 of this document;
- (c) the letter of consent from Somerley referred to in Section 5 of this Appendix; and
- (d) the confirmation letter from HSBC Bank USA, N.A. confirming that US\$45 million (equivalent to approximately HK\$351.0 million) of the facility provided to Mercurius Partners, LLP is earmarked for the purpose of the Acquisition and the Offer.

Copies of these documents will also be available for inspection on the website at “www.irasia.com/listco/hk/hkbla/index.htm” and the website of the SFC at “www.sfc.hk” while the Offer remains open for acceptance.