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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 and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

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

A notice convening an extraordinary general meeting of the Company to be held at Empire Room 2, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on 10 February 2010 at 11:00 a.m. (the "EGM") is set out on pages 11 to 12 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, 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 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

21 January 2010

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 2 December 2009 relating to the proposed Share Subdivision, the proposed Increase in the Authorised Share Capital and the change in board lot size
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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 and held on 10 February 2010 at 11:00 a.m. at Empire Room 2, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong to consider and, if thought fit, approve the proposed Share Subdivision and the Increase in the Authorised Share Capital
“Existing Share Certificate(s)”	the pink share certificate(s) for the Shares
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 Subdivided Shares to HK\$500,000,000 divided into 5,000,000,000 Subdivided Shares by the creation of an additional 2,000,000,000 Subdivided Shares
“Latest Practicable Date”	15 January 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificate(s)”	the green new share certificate(s) for the Subdivided Shares
“Share(s)”	the ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Share Subdivision”	the proposed subdivision of each Share into 10 Subdivided Shares
“Shareholder(s)”	the holder(s) of the Share(s) and/or Subdivided Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	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
“%”	per cent.

EXPECTED TIMETABLE

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

Despatch of the circular regarding, among other matters, the Share Subdivision and the Increase in the Authorised Share Capital	21 January 2010
Publication of the notice of EGM	21 January 2010
Latest time for lodging the form of proxy for the EGM	11:00 a.m., 8 February 2010
EGM	11:00 a.m., 10 February 2010
Announcement of poll results of the EGM	10 February 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	11 February 2010
Dealings in the Subdivided Shares commence	9:30 a.m., 11 February 2010
Original counter for trading in existing Shares in board lots of 1,000 Shares temporarily closes	9:30 a.m., 11 February 2010
Temporary counter for trading in board lots of 10,000 Subdivided Shares (in the form of certificates of existing Shares) opens	9:30 a.m., 11 February 2010
First day of free exchange of Existing Share Certificates for new certificates for the Subdivided Shares	11 February 2010
First day of operation of odd lot trading facility	1 March 2010
Designated broker starts to stand in the market to provide matching services for odd lots	9:30 a.m., 1 March 2010
Original counter for trading in Subdivided Shares in board lots of 8,000 Subdivided Shares (in the form of New Share Certificates) reopens	9:30 a.m., 1 March 2010
Parallel trading in Subdivided Shares (in the form of New Share Certificates and the Existing Share Certificates) commences	9:30 a.m., 1 March 2010

EXPECTED TIMETABLE

Parallel trading in Subdivided Shares (in the form of New Share Certificates and the Existing Share Certificates) ends	4:00 p.m., 19 March 2010
Designated broker ceases to stand in the market to provide matching services for odd lots	4:00 p.m., 19 March 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., 19 March 2010
Last day of operation of odd lot trading facility	19 March 2010
Last day for free exchange of Existing Share Certificates for the New Share Certificates	4:30 p.m., 23 March 2010

Dates or deadlines specified in this expected timetable above depends on the results of the EGM and are therefore for indicative purpose only.

Further announcement(s) will be made by the Company for changes, if any, to the expected timetable for implementation of the Share Subdivision and the change in board lot size and the associated trading arrangements as aforesaid.

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:

Mr. Lau Yu Fung, Wilson
Mr. Chan Chun Wai
Mr. Au Tin Fung

Registered office:

Room 3501
35th Floor, China Online Centre
No. 333 Lockhart Road
Wanchai, Hong Kong

Non-executive Director:

Mr. Tang Yu Ming, Nelson (*Chairman*)

Independent Non-executive Directors:

Mr. Chan Chi Yuen
Mr. Ng Cheuk Fan, Keith
Mr. So Yuen Chun

21 January 2010

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement of the Company dated 2 December 2009. The purpose of this circular is to provide you with further information relating to (i) the proposed Share Subdivision; (ii) the proposed Increase in the Authorised Share Capital; (iii) the change in board lot size and (iv) the notice of EGM.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

Listing and Dealing

An application will be made to the Stock Exchange for the listing of and permission to deal in the Subdivided Shares arising from the Share Subdivision.

Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing permission to deal in is being or is currently proposed to be sought from any other stock exchange.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase in the authorised share capital of the Company after the completion of the Share Subdivision. As at the Latest Practicable Date, 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 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 Subdivided Shares by the creation of an additional 2,000,000,000 Subdivided Shares.

Immediately after the completion of the Share Subdivision and the Increase in 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 activities. As at the Latest Practicable Date, the Company has no intention of issuing any part of the increase in share capital and has no intention to undergo any fund raising activities. The Board believes that the Increase in the Authorised Share Capital is for the benefit of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 the Announcement, the board lot value was 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 the Announcement and adjusted for the effect of Share Subdivision). The Directors consider that the change of the board lot size is in the interests of the Company and the Shareholders as a whole.

FREE EXCHANGE OF SHARE CERTIFICATES

Subject to fulfillment of the conditions set out above and the Share Subdivision taking effect, it is expected that as from Thursday, 11 February 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 Friday, 19 March 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 Thursday, 11 February 2010 to Tuesday, 23 March 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. Tuesday, 23 March 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 in order to distinguish them from Existing Share Certificates which are in pink colour.

TRADING ARRANGEMENT FOR SUBDIVIDED SHARES

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are expected to commence on 11 February 2010. Parallel trading in the Subdivided Shares (in the form of Existing Share Certificates and New Share Certificates) will be operated from 1 March 2010 to 23 March 2010 (both dates inclusive). Full details of the expected timetable and trading arrangement of the Subdivided Shares are set out on pages 3 to 4 of this circular.

LETTER FROM THE BOARD

ARRANGEMENT FOR ODD LOTS

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 11 February 2010 to 19 March 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. Holders of odd lots of Subdivided Shares who wish to take advantage of this facility should contact Mr. Raymond Kwok (郭偉信) of Fortune (HK) Securities Limited at 13/F., Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong (Tel: 3189 2184) from 11 February 2010 to 19 March 2010 (both days inclusive).

EGM

Set out on pages 11 to 12 of this circular is the notice of the EGM to be held at Empire Room 2, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on 10 February 2010 at 11:00 a.m., at which ordinary resolutions will be proposed to approve the Share Subdivision and the Increase in the Authorised Share Capital.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, 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 Company at Room 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

LISTING RULES REQUIREMENTS

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to vote at the EGM will be taken by way of poll. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolutions to be proposed at the EGM. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Board considers that the Share Subdivision and the Increase in the Authorised Share Capital are in the best interests of the Company and the Shareholders as a whole and therefore recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
For and on behalf of the Board
The Hong Kong Building and Loan Agency Limited
Au Tin Fung
Executive Director

NOTICE OF EGM



The Hong Kong Building and Loan Agency Limited

香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of The Hong Kong Building and Loan Agency Limited (the “Company”) will be held at Empire Room 2, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on 10 February 2010 at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subdivided Shares (as hereinafter defined), each of the issued and unissued shares of HK\$1.00 each in the share capital of the Company be and is hereby subdivided into 10 shares of HK\$0.10 each (the “Subdivided Shares”) with effect from the business day immediately following the day on which this resolution is passed (the “Share Subdivision”) and the directors of the Company be and are hereby authorized to issue new share certificates in respect of the Subdivided Shares to holders of existing shares of the Company pursuant to the Share Subdivision and to do all such acts and things and execute all such documents which they consider necessary, desirable or appropriate for the implementation of and giving effect to the Share Subdivision.”
2. “**THAT** after the completion of the Share Subdivision, the authorised share capital of the Company be increased from HK\$300,000,000 comprising 3,000,000,000 Subdivided Shares to HK\$500,000,000 comprising 5,000,000,000 Subdivided Shares by the creation of an additional 2,000,000,000 Subdivided Shares (the “Increase in the Authorised Share Capital”) and the directors of the Company be and are hereby authorized to do all such acts and things and execute all such documents which they consider necessary, desirable or appropriate for the implementation of and giving effect to the Increase in the Authorised Share Capital.”

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Au Tin Fung
Executive Director

Hong Kong, 21 January 2010

NOTICE OF EGM

Registered office:

Room 3501
35th Floor, China Online Centre
No. 333 Lockhart Road
Wanchai, Hong Kong

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.
- (3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the registered office of the Company at Room 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (4) In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

As at the date of this notice, the Board of Directors of the Company 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, Mr. Ng Cheuk Fan, Keith and Mr. So Yuen Chun being independent non-executive Directors.