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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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** (the “**Company**”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee, or to the bank manager, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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 CAPITAL REORGANISATION;  
PROPOSED AMENDMENTS TO M&A;  
RE-ELECTION OF RETIRING DIRECTORS;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the extraordinary general meeting (the “EGM”) of the Company to be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 21 June 2012 at 11:00 a.m. is set out on page 24 to 27 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy 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 (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

29 May 2012

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## DEFINITIONS

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

“Adjusted Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Articles”	the articles of association of the Company
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Reduction”	the proposed reduction of the share capital of the Company including the cancellation of the paid up capital to the extent of HK\$0.09 of each Share in issue from HK\$0.10 to HK\$0.01 and the reduction of the par value of all the issued and unissued Shares from HK\$0.10 each to HK\$0.01 each
“Capital Reorganisation”	the Capital Reduction and the Share Consolidation
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“Confirming Order”	an order issued by the Court pursuant to Section 59(1) of the Companies Ordinance confirming the Capital Reduction

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## DEFINITIONS

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“Convertible Bonds 2012”	the zero-coupon convertible bonds in the aggregate principal amount of HK\$39,477,586.70 due 31 December 2012 with the initial conversion price of HK\$0.10 per Share, issued by the Company during the Exercise Period to satisfy the subscription rights of the options (these options were issued by the Company to the subscribers of the offer shares under the open offer of the Company as per the prospectus of the Company dated 15 April 2010, which entitled the holders thereof, within the period from 5 May 2010 to 4 May 2011 (the “Exercise Period”), to subscribe for the aforesaid convertible bonds with a principal amount equal to or not more than 80% of the aggregate value of the offer Shares allotted to the subscribers)
“Convertible Bonds 2015”	the convertible bonds in the maximum principal amount of HK\$32,000,000 that may be issued by the Company pursuant to the Placing Agreement
“Conversion Price”	HK\$0.04 or the par value of the Shares (whichever is higher) per Share. Upon the Capital Reorganisation having taken place before the execution of the instrument of the Convertible Bonds 2015, the conversion price shall be HK\$0.40 or the par value of the Adjusted Share (whichever is higher) per Adjusted Share
“Court”	The Court of First Instance of the High Court of Hong Kong
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Capital Reorganisation becomes effective
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among others, the Capital Reorganisation, the notice of which is set out in Appendix II to this circular
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24 May 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	the memorandum and articles of association of the Company
“Option(s)”	up to a total of 100 options that may be granted by the Company to the placees who, upon completion of the Placing, are entitled to subscribe for the Convertible Bonds 2015 in the principal amount of HK\$320,000 per option pursuant to the Placing Agreement
“Optionholder(s)”	the holder(s) of the Option(s)
“Placing”	the placing of the Options to the placees pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 16 April 2012 and entered into by and between the Company and the placing agent in respect of the Placing, the details of which are set out in the announcement of the Company dated 19 April 2012
“Reduced Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company immediately after the Capital Reduction, but before the Share Consolidation becoming effective

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every ten (10) Reduced Shares into one (1) Adjusted Share
“Share Registrar”	the Company’s share registrar and transfer office, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Shareholder(s)”	the holder(s) of the issued Shares
“Shareholders’ Resolution”	a special resolution approving, among others, the Capital Reduction and the Share Consolidation to be passed by the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrants”	the unlisted warrants issued by the Company on 22 June 2010 at the issue price of HK\$0.01 per warrant with the exercise period from 22 June 2010 to 21 June 2012 and the exercise price of HK\$0.147 per new Share, pursuant to the supplemental warrant placing agreement entered into by and between the Company and the placing agent on 7 June 2010, the details of which were disclosed in the announcements of the Company dated 7 June 2010 and 22 June 2010, respectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the implementation of the Capital Reorganisation:*

Latest time for lodging form of proxy in respect of the EGM ( <i>Note 1</i> ) . . . . .	11:00 a.m. Tuesday, 19 June 2012
EGM ( <i>Note 1</i> ) . . . . .	11:00 a.m. Thursday, 21 June 2012
Announcement of the result of the EGM to be published . . . . .	not later than 11:00 p.m., Thursday, 21 June 2012
Notice of the hearing date of the petition published in the Newspapers ( <i>Note 2</i> ) . . . . .	on or before Tuesday, 17 July 2012
Hearing of petition for confirmation of the Capital Reduction by the Court ( <i>Note 2</i> ) . . . . .	on or before Tuesday, 31 July 2012
Announcement of the result of hearing of petition to confirm the proposed Capital Reduction and the Effective Date to be published ( <i>Note 2</i> ) . . . . .	Tuesday, 31 July 2012
Registration of the Confirmation Order and the minute thereof with the Companies Registrar ( <i>Note 3</i> ) . . . . .	on or before Thursday, 2 August 2012
Effective date of the Capital Reorganisation ( <i>Note 3</i> ) . . . . .	after 4:00 p.m., Thursday, 2 August 2012
First day of free exchange of the existing Share certificates for the Adjusted Share certificates . . . . .	Friday, 3 August 2012
Dealing in the Adjusted Shares commences . . . . .	9:00 a.m., Friday, 3 August 2012

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## EXPECTED TIMETABLE

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Original counter for trading in Shares in board lots of 8,000 Shares (in the form of existing share certificates) closes .....	9:00 a.m., Friday, 3 August 2012
Temporary counter for trading in the Adjusted Shares in board lots of 800 Adjusted Shares (in the form of existing share certificates) opens .....	9:00 a.m., Friday, 3 August 2012
First day for designated broker to stand in the market to provide matching service for selling and buying of odd lots of the Adjusted Shares .....	9:00 a.m., Friday, 17 August 2012
Original counter for trading in the Adjusted Shares in board lots of 8,000 Adjusted Shares (in the form of new share certificates) re-opens .....	9:00 a.m., Friday, 17 August 2012
Parallel trading in the Adjusted Shares (in the form of new and existing share certifications) commences .....	9:00 a.m., Friday, 17 August 2012
Latest time for designated broker to stand in the market to provide matching service for selling and buying of odd lots of the Adjusted Shares .....	4:00 p.m., Thursday, 6 September 2012
Temporary counter for trading in the Adjusted Shares in board lots of 800 Adjusted Shares (in the form of existing share certificates) removed .....	4:00 p.m., Thursday, 6 September 2012
Parallel trading in the Adjusted Shares (in the form of new and existing share certificates) ends .....	4:00 p.m., Thursday, 6 September 2012
Last day of free exchange of the existing Share certificates for the Adjusted Share certificates .....	Monday, 10 September 2012



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## EXPECTED TIMETABLE

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*Notes:*

1. The forms of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, shall be deposited at the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong as soon as possible and in any event, not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy for the EGM will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof should the Shareholder so wish. In such event, the returned form of proxy will be deemed to have been revoked. There is no book closure in respect of the EGM.
2. The hearing date of the petition is subject to the availability of the Court and is subject to change.
3. The proposed Capital Reduction will become effective when it is confirmed by the Court and a copy of the order of the Court and a minute of the Company approved by the Court containing the particulars required under the Companies Ordinance are delivered to the Companies Registrar for registration.

The above expected timetable is for indicative purposes and is subject to changes. Should there be any changes to this expected timetable, the Company will make further announcement(s).

All times stated in this circular refer to Hong Kong time.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. So Yuen Chun

Mr. Yeung Kwok Leung

*Non-executive Director:*

Mr. Lam Kwok Hing, Wilfred

*Independent Non-executive Directors:*

Mr. Ng Cheuk Fan, Keith

Mr. Yeung Wai Hung, Peter

Mr. Lam Raymond Shiu Cheung

*Registered Office:*

Unit F, 7/F

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

29 May 2012

*To the Shareholders, and for information only,*

*holders of warrants and convertible bonds of the Company*

Dear Sir or Madam,

**PROPOSED CAPITAL REORGANISATION;  
PROPOSED AMENDMENTS TO M&A;  
RE-ELECTION OF RETIRING DIRECTORS;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

### INTRODUCTION

Reference is made to the announcements of the Company dated 19 April 2012, 27 April 2012 and 9 May 2012, respectively. The purpose of this circular is to provide you with further information regarding (i) a special resolution relating to the proposed Capital Reorganisation and the proposed Amendments to the M&A and (ii) ordinary resolutions relating to the re-election of retiring Directors, all of which are to be proposed at the EGM. The notice of the EGM is set out in pages 24 to 27 of this circular.

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## LETTER FROM THE BOARD

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### PROPOSED CAPITAL REORGANISATION

The Directors will put forward a proposal to the Shareholders at the EGM to effect the Capital Reorganisation which will involve:

- (a) the Capital Reduction under which the authorized share capital of the Company will be reduced from HK\$3,000,000,000 divided into 30,000,000,000 Shares of HK\$0.10 each to HK\$300,000,000 divided into 30,000,000,000 Reduced Shares of HK\$0.01 each and that such reduction be effected by cancelling HK\$0.09 of the paid up capital on each issued Share of HK\$0.10 and reducing the par value of each issued and unissued Share in the share capital of the Company from HK\$0.10 per Share to HK\$0.01 per Reduced Share;
- (b) the Share Consolidation under which every ten (10) Reduced Shares of HK\$0.01 each will be consolidated into one (1) Adjusted Share of HK\$0.10 each; and
- (c) subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilized to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s) as the Court any direct and/or in such manners as the Board considers appropriate.

The proposed Capital Reduction will be effected pursuant to the Companies Ordinance and the articles of association of the Company.

### **The Capital Reduction**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$3,000,000,000 divided into 30,000,000,000 Shares and the issued share capital of the Company was HK\$435,148,866.70 divided into 4,351,488,667 Shares that are fully paid.

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## LETTER FROM THE BOARD

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The Board proposes the Capital Reduction such that the authorised share capital of the Company will be reduced from HK\$3,000,000,000 divided into 30,000,000,000 Shares of HK\$0.10 each to HK\$300,000,000 divided into 30,000,000,000 Reduced Shares of HK\$0.01 each by cancelling the issued and paid up capital to the extent of HK\$0.09 on each of the Share in issue as at the Latest Practicable Date and any further Shares which may be issued prior to the date on which the petition for the confirmation of the Capital Reduction is heard by the Court and by reducing the par value of all the issued and unissued Shares from HK\$0.10 to HK\$0.01 each.

Assuming no further Shares will be issued or repurchased between the Latest Practicable Date and before the Capital Reduction becoming effective, based on 4,351,488,667 Shares in issue as at the Latest Practicable Date, upon completion of the proposed Capital Reduction, the issued share capital of the Company will be reduced from HK\$435,148,866.70 divided into 4,351,488,667 Shares to HK\$43,514,886.67 divided into 4,351,488,667 Reduced Shares giving rise to a total credit of HK\$391,633,980.03.

### **Share Consolidation**

Upon the Capital Reduction becoming effective, every ten (10) Reduced Shares will be consolidated into one (1) Adjusted Share. Accordingly, the authorised share capital of the Company will then be changed from HK\$300,000,000 divided into 30,000,000,000 Reduced Shares to HK\$300,000,000 divided into 3,000,000,000 Adjusted Shares upon completion of the Share Consolidation. On the same assumption as above, based on 4,351,488,667 Shares in issue as at the Latest Practicable Date, the issued share capital of the Company will then be changed to HK\$43,514,886.60 divided into 435,148,866 Adjusted Shares upon completion of the Share Consolidation.

Any fraction of the Adjusted Shares arising from the Share Consolidation will not be issued to the Shareholders, but will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distribution which are declared, made or paid.

### **Board Lot Size**

Upon the proposed Capital Reorganisation becoming effective, the board lot size of the Adjusted Shares for trading on the Stock Exchange will remain unchanged at 8,000 Adjusted Shares per board lot, which is the same board lot size for trading of the Shares on the Stock Exchange before the Capital Reorganisation becoming effective.

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## LETTER FROM THE BOARD

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### Listing and Dealings of the Adjusted Shares

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation on the Stock Exchange (the “**Listing Approval**”).

Subject to the granting of the Listing Approval, the Adjusted 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 Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Shares are not listed or dealt in on any other stock exchange and hence, no listing or permission to deal in is being or is proposed to be sought from any other stock exchange.

The following table sets out the effect of the proposed Capital Reorganisation on the share capital of the Company; that is, immediately before and after the implementation of the proposed Capital Reorganisation:

	<b>As at the Latest Practicable Date</b>	<b>Immediately after the Capital Reduction becoming effective but before the Share Consolidation becoming effective (Note 1)</b>	<b>Immediately after the Capital Reduction and the Share Consolidation becoming effective (Note 1)</b>
Par value of each share	HK\$0.10	HK\$0.01	HK\$0.10
Amount of authorised share capital	HK\$3,000,000,000	HK\$300,000,000	HK\$300,000,000
Number of authorised shares	30,000,000,000	30,000,000,000	3,000,000,000
Amount of issued and fully paid-up share capital (Note 2)	HK\$435,148,866.70	HK\$43,514,886.67	HK\$43,514,886.60
Number of issued shares (Note 2)	4,351,488,667	4,351,488,667	435,148,866

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## LETTER FROM THE BOARD

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*Notes:*

1. The issued share capital immediately after the proposed Capital Reorganisation becoming effective is presented on the assumption that no further Shares would be issued or repurchased between the Latest Practicable Date and before the Capital Reorganisation becoming effective.
2. Fractional Adjusted Shares will not be issued to Shareholders, but will be aggregated and, if possible, sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

### **Share Premium Account**

Subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilised to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s) as the Court may direct and/or in such manners as the Board considers appropriate.

### **CONDITIONS OF THE CAPITAL REORGANISATION**

The Capital Reorganisation will be conditional upon the satisfaction of the following conditions:

- (a) the passing of the Shareholders' Resolution at the EGM to approve the Capital Reorganisation;
- (b) the Confirming Order being granted by the Court approving the Shareholders' Resolution in relation to Capital Reduction and completion of the registration of the Confirming Order together with the Shareholder's Resolution at the Registrar of Companies in Hong Kong;
- (c) the Listing Committee of the Stock Exchange granting the listing approval of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation; and
- (d) the compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction.

Assuming all these conditions are fulfilled, the Capital Reorganisation will become effective upon the registration of the Confirming Order together with the Shareholders' Resolution in relation to the Capital Reduction.

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## LETTER FROM THE BOARD

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As the Capital Reduction will only become effective upon the Court granting the Confirmation Order and registration of the same with the Companies Registry. The dates indicated in the section headed “Expected Timetable” above are for reference only and are subject to the result of the EGM and other changes. The Company will notify the Shareholders of any changes to the expected timetable by way of announcement(s) as and when appropriate.

An application will be made to the Court for approval of the proposed Capital Reduction after the Capital Reorganisation is approved by the Shareholders at the EGM. An application will also be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Company will issue an announcement in respect of the result of the EGM and, further announcement(s) (if any) will be made to inform the Shareholders of the progress of the Capital Reorganisation as and when appropriate.

**The proposed Capital Reorganisation is subject to, among others, the fulfillment of the conditions as set out under the “Conditions of the Capital Reorganisation” section. As such, the proposed Capital Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### EFFECTS OF THE PROPOSED CAPITAL REORGANISATION

#### **Business**

The Company does not expect that the business, management or operation of the Group will be changed and/or affected as a result of the implementation of the proposed Capital Reorganisation.

#### **Financial Position**

Implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, liabilities or financial position of the Company and the Group, except for payment of the related expenses incurred (such as professional fees payable to legal advisor(s), financial printer(s), exchange of the new share certificates for the Adjusted Shares), which are estimated to be approximately HK\$433,000. The Directors believe that the Capital Reorganisation will not have any adverse effect on the financial position of the Group.

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## LETTER FROM THE BOARD

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### **Rights of the Shareholders**

Upon the Capital Reorganisation becoming effective, the Adjusted Shares will rank *pari passu* in all respects among each other.

The proportionate interests and the voting rights of the Shareholders in the Company will not be affected by the Capital Reorganisation. Any fraction of the Adjusted Shares arising from the Capital Reorganisation will not be issued to the Shareholders but will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

### **Convertible Bonds**

As at the Latest Practicable Date, there are Convertible Bonds 2012 in the principal amount of HK\$78,720 outstanding. Assuming the conversion right of the Convertible Bonds 2012 are exercised in full prior to the Effective Date, 787,200 Shares would be issued at the conversion price of HK\$0.10 per Share. Upon completion of the Capital Reorganisation, the conversion price of the Convertible Bonds 2012 and the number of Adjusted Shares falling to be issued upon exercise of the conversion rights attached to the Convertible Bonds 2012 will be adjusted in accordance with the instrument creating them. The Company will make further announcement about the adjustment as soon as practical upon the Capital Reorganisation becoming effective.

### **Warrants**

As at the Latest Practicable Date, there are 552,000,000 Warrants outstanding which will expire on 21 June 2012, a date before the expected completion of the Capital Reorganisation. As such, the Company does not contemplate any adjustment will be required in this regard. Assuming the subscription right of the Warrants are exercised in full prior to the Effective Date, 552,000,000 new Shares would be issued at the exercise price of HK\$0.147 per Share.

Save for the convertible bonds and the warrants as stated above, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.



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## LETTER FROM THE BOARD

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### Placing of Options for Subscription of Convertible Bonds

Pursuant to the Placing Agreement, the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, on a best-effort basis, not less than six independent placees to subscribe for up to 100 Options.

As at the Latest Practical Date, the Placing is not completed. Assuming the 100 Options are fully placed and exercised in full, the Optionholders are entitled to subscribe for, in aggregate, the Convertible Bonds 2015 in the principal amount of HK\$32,000,000 at the subscription price of HK\$32,000,000.

If the Convertible Bonds 2015 are issued before the Effective Date or the Capital Reorganisation does not subsequently become effective, the Convertible Bonds 2015 would be convertible at the Conversion Price of HK\$0.04 or the par value of the Shares (whichever is higher) per conversion share.

Upon the Capital Reorganisation having taken place before the issuance of the Convertible Bonds 2015, the Convertible Bonds 2015 would be convertible at the Conversion Price of HK\$0.40 or the par value of the Adjusted Shares (whichever is higher) per conversion share.

Assuming the Convertible Bonds 2015 in the principal amount of HK\$32,000,000 are converted at the Conversion Price of HK\$0.10, 320,000,000 new Shares would be issued.

Assuming the Capital Reorganisation is completed and the Convertible Bonds 2015 in the principal amount of HK\$32,000,000 are converted at the Conversion Price of HK\$0.40, 80,000,000 new Adjusted Shares would be issued.

Save for the issuance of new shares to satisfy the conversion right or subscription right of the above-mentioned convertible bonds, warrants and options of the Company upon their respective conversion or subscription, as at the Latest Practical Date, the Company has no plan for any issuance or repurchase of the Shares between the Latest Practicable Date and upon completion of the Capital Reorganisation.

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## LETTER FROM THE BOARD

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### Shareholding Structure of the Company

Based on the foregoing and for illustration purpose only, the following table sets out the scenario of the shareholding structure of the Company on the assumptions that (i) the full conversion of the Convertible Bonds 2012 and the Convertible Bonds 2015 prior to the Effective Date; and (ii) the full exercise of the subscription rights of the Warrants prior to the Effective Date.

	As at the Latest Practical Date		Immediately after full conversion of the Convertible Bonds 2012 and the Convertible Bonds 2015 prior to the Effective Date		Immediately after full conversion of the Convertible Bonds 2012 and the Convertible Bonds 2015, and full exercise of the subscription right of the Warrants prior to the Effective Date	
	<i>Number of</i>	<i>Approx.</i>	<i>Number of</i>	<i>Approx.</i>	<i>Number of</i>	<i>Approx.</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
CGI (HK) Limited	388,000,000	8.92%	388,000,000	8.30%	388,000,000	7.43%
Holders of the Convertible Bonds 2012	–	–	787,200	0.02%	787,200	0.02%
Holders of the Convertible Bonds 2015	–	–	320,000,000	6.85%	320,000,000	6.13%
Holders of the warrants	–	–	–	–	552,000,000	10.57%
Other public Shareholders	3,963,488,667	91.08%	3,963,488,667	84.83%	3,963,488,667	75.87%
<b>Total</b>	<b><u>4,351,488,667</u></b>	<b><u>100.00%</u></b>	<b><u>4,672,275,867</u></b>	<b><u>100.00%</u></b>	<b><u>5,224,275,867</u></b>	<b><u>100.00%</u></b>

*Note:* Some percentage figures in the table above have been rounded to two decimal places. Any discrepancies in the table above between the totals and the sums of the amounts listed in it are due to rounding.

### Exchange of Share Certificates Arrangement

Subject to the Capital Reorganisation becoming effective, the Shareholders may submit existing certificates for the Shares (in green color) to the Share Registrar for exchange of new certificates for the Adjusted Shares (in yellow color) from 3 August 2012 to 10 September 2012, at the expense of the Company. Thereafter, certificates for the Shares will be accepted for exchange only 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 certificate issued or cancelled, whichever is higher.

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## LETTER FROM THE BOARD

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It is expected that new certificates for the Adjusted Shares will be available for collection within 10 business days or so from the date of submission of the existing certificates of the Shares to the Share Registrar for exchange.

The existing certificates for the Shares (in green color) will be valid for delivery, trading and settlement up to 6 September 2012, being the last day of the parallel trading in the Adjusted Shares in the form of new and existing share certificates, but will continue to remain good evidence of legal title to the Adjusted Shares and may be exchanged for certificates of the Adjusted Shares (in yellow color) at any time in accordance with the foregoing.

### **Fractional Shares and Odd Lot Arrangements**

Fractional Adjusted Shares will be disregarded and will not be issued to the Shareholders, but all such fractional Adjusted Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional adjusted Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares which might arise as a result of the Capital Reorganisation, the Company has appointed FT Securities Limited as its agent to match the sales and purchases of odd lots of the Adjusted Shares on behalf of the shareholders on a best-effort basis. Holders of the Adjusted Shares who wish to take advantage of this facility, either to dispose of their odd lots or to round them up to a board lot, may contact the agent during the period from 17 August 2012 to 6 September 2012 as follows:

<b>Contact person</b>	<b>Address</b>	<b>Telephone number</b>
Matthew Pau	2nd Floor, Sunning Plaza 10 Hysan Avenue Causeway Bay Hong Kong	(852) 2111 9118

**Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any shareholder who is in doubt about the odd lot arrangement is recommended to consult his or her or its own professional advisers.**

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## LETTER FROM THE BOARD

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### PROPOSED AMENDMENTS TO M&A

In view of the changes that would result from completion of the Capital Reorganisation, and in order to enable the M&A to reflect the new authorized share capital of the Company arising from the Capital Reorganisation, the Board proposes that, subject to and forthwith upon the Capital Reduction and the Share Consolidation taking effect:

- the existing Clause 5 of the Memorandum of Association of the Company be deleted in its entirety and be replaced with the following new Clause 5:

“The authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.10 each.”

- the existing Article 3(A) of the Articles of Association of the Company be deleted in its entirety and be replaced with the following new Article 3(A):

“The authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.10 each.”

### REASONS FOR THE PROPOSED CAPITAL REORGANISATION

The Company is incorporated in Hong Kong with limited liability. The Group is principally engaged in investment holding, treasury investments and the provision of loan financing.

The Capital Reduction will enable the Company to apply the credit arising from the Capital Reduction to eliminate its accumulated loss. It can also increase the flexibility for raising new funds in future by means of issuance of new shares of the Company. According to the audited financial statements of the Company for the year ended 31 December 2011, the Company’s share premium account and the accumulated losses account stood at approximately HK\$54.12 million and HK\$121.45 million, respectively. Accordingly, the Directors consider that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### RE-ELECTION OF RETIRING DIRECTORS

Article 110 of the Articles provides, among others, that 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 general meeting of the Company (in the case of filling a casual 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.

Pursuant to Article 110, Mr. Lam Raymond Shiu Cheung who was appointed as Director on 17 February 2012 and Mr. Yeung Kwok Leung who was appointed as Director on 1 March 2012 (collectively, the “**Retiring Directors**”) will hold office only until the next following general meeting of the Company; that is, the EGM. The Retiring Directors being eligible, offer themselves for re-election as Directors at the EGM.

None of the Retiring Directors have an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Brief biographical details of the Retiring Directors are set out in Appendix I to this circular.

### EGM

The proposed Capital Reorganisation, the proposed Amendments to the M&A and the re-appointment of the Retiring Directors are subject to, among others, the approval by Shareholders by way of poll at the EGM.

The notice of EGM is set out on pages 24 to 27 of this circular. A form of proxy for use at the EGM is enclosed. At the EGM, a special resolution will be proposed for Shareholders to consider and, if thought fit, to approve, the Capital Reorganisation and the Amendments to the M&A; and ordinary resolutions will be proposed in relation to the re-appointment of the Retiring Directors. The vote of the Shareholders at the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best of Directors’ knowledge, information and belief, having made reasonable enquiries, the Directors confirm that no Shareholder is required to abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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There is no book closure in respect of the EGM. Whether or not you intend to attend the EGM, you are advised to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy 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 (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

### **RESPONSIBILITIES STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### **RECOMMENDATION**

The Board considers that the proposed special resolution and ordinary resolutions as set out in the EGM notice are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all these resolutions.

Yours faithfully  
By order of the Board  
**The Hong Kong Building and Loan Agency Limited**  
**So Yuen Chun**  
*Executive Director*

*As at the Latest Practice Date, the biographical details of the Directors who will retire and, being eligible, will offer themselves for re-election at the EGM pursuant to the Articles and the Listing Rules, are as follow:*

**Mr. Lam Raymond Shiu Cheung**, aged 46, was appointed as an independent non-executive Director on 17 February 2012. He was also appointed as a member of the audit committee, the remuneration committee and the nomination committee of the Company, all with effect from 17 February 2012. Mr. Lam graduated from the Victoria University of Melbourne, Australia, with a Bachelor of Business Degree majoring in banking and finance. He also earned a Master Degree in Applied Finance from Macquarie University of Australia. Mr. Lam has 20 years' extensive experience in business development and corporate finance. He started his career in corporate banking, after which he joined one of the biggest oil companies in the United States of America specializing in the area of business development. Mr. Lam is currently the deputy chief executive officer of China Eco-Farming Limited (Stock code: 8166), an independent non-executive director of Chinese Food and Beverage Group Limited (Stock code: 8272) and China Assurance Finance Group Limited (Stock code: 8090), all of the companies are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. He was an independent non-executive director of China Oriental Culture Group Limited (Stock code: 2371) for the period from January 2008 to September 2010, a company listed on the Main Board of the Stock Exchange. He also was an independent non-executive director of China Railway Logistics Limited (Stock code: 8089) for the period from December 2008 to June 2009 and China Bio-Med Regeneration Technology Limited (Stock code: 8158) for the period from June 2008 to June 2009, both of the companies are listed on GEM of the Stock Exchange.

Save for disclosed above, Mr. Lam has not previously held any position with the Company or any of its subsidiaries, has not been a director in any other listed public companies in the last three years, does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company (as defined in the Listing Rules) and does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Lam has entered into a service contract with the Company for a fixed term of three years with effect from 17 February 2012, subject to retirement by rotation at the annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Lam is entitled to receive a director fee of HK\$100,000 per annum which was determined by reference to his experience, and duties and responsibilities in the Company as well as the market conditions.

Mr. Lam confirmed that he is not aware of any information in relation to his re-election as a Director to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Save for disclosed above, the Board is not aware of any other matters relating to Mr. Lam's re-election that need to be brought to the attention of the Shareholders.

**Mr. Yeung Kwok Leung**, aged 38, was appointed as an executive Director on 1 March 2012. He is also a director of certain subsidiaries of the Group. Mr. Yeung holds a Bachelors Degree in Accountancy and possesses more than 15 years' experience in auditing, financial controlling, accounting, corporate development as well as business strategy. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung is currently an executive director of Morning Star Resources Limited (Stock code: 542), a company listed on the Main Board of the Stock Exchange. Mr. Yeung was an executive director and the company secretary of China Fortune Group Limited (Stock code: 290) ("**China Fortune**") for the period from December 2005 to February 2012, a company listed on the Main Board of the Stock Exchange.

Save for disclosed above, Mr. Yeung has not previously held any position with the Company or any of its subsidiaries, has not been a director in any other listed public companies in the last three years, does not have any relationships with any directors, senior management or substantial or controlling shareholder of the Company (as defined in the Listing Rules) does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Yeung has entered into a service contract with the Company for a fixed term of one year with effect from 1 March 2012, subject to retirement by rotation at the annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Yeung is entitled to receive a director fee of HK\$260,000 per annum which was determined by reference to his experience, and duties and responsibilities in the Company as well as the market conditions.

Insofar as Rule 13.51(2)(1) of the Listing Rules is concerned, further information on Mr. Yeung is as follows:

On 20 April 2012, a winding-up petition filed in the High Court of Hong Kong was served by a creditor against FT Securities Limited ("**Respondent**"), in which Mr. Yeung serves as a director. In the petition, the creditor alleged that Respondent is indebted to them in a sum of HK\$201,189.15, being outstanding legal fees together with interest. Respondent has been disputing the creditor's legal fees on the grounds of excessiveness and had on the same day; that is, 20 April 2012, commenced a miscellaneous proceedings against the creditor for leave to tax the bills issued by the creditor to Respondent. Respondent indicated that it is confident that the matters surrounding the said claim will be settled amicably and that the petition will eventually be withdrawn, stayed or set aside. Respondent is a company incorporated in Hong Kong with limited liability and is licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). As at the Latest Practical Date, this petition is still ongoing.



Mr. Yeung was a director of Yew Sang Hong Limited (“**YSH**”), a former wholly-owned subsidiary of China Fortune, which was incorporated in Hong Kong and was then principally engaged in the electrical engineering contracting business. He resigned as a director of YSH on 6 August 2009. On 17 August 2009, a winding-up petition was filed with the High Court of Hong Kong against YSH by the Hong Kong Housing Authority (“**HAHK**”) demanding repayment of unpaid legal fees and the interests accrued thereon. YSH finally reached an amicable settlement with HAHK and the High Court of Hong Kong granted an order directing the withdrawal of the winding-up petition against YSH on 19 October 2009, thereby the winding up proceedings discontinued.

Mr. Yeung confirmed that, save for disclosed above, he is not aware of any information in relation in his re-election as a Director to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Save for disclosed above, the Board is not aware of any matters relating to Mr. Yeung’s re-election that need be brought to the attention of the Shareholders.



**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 extraordinary general meeting (the “**Meeting**”) of The Hong Kong Building and Loan Agency Limited (the “**Company**”) will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 21 June 2012 at 11:00 a.m., for the purposes of considering and, if thought fit, passing the following special resolution and ordinary resolutions of the Company:

**SPECIAL RESOLUTION**

1. “**THAT** conditional upon (i) granting of an order by the Court of First Instance of the High Court of Hong Kong (the “**Court**”) pursuant to the Companies Ordinance (Cap. 32) for the purpose of confirming the Capital Reduction (as defined below) (collectively, the “**Confirming Order**”) and registration of the Confirming Order and of the minute approved by the Court by the Companies Registrar in respect of the Capital Reduction and compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, the Adjusted Shares (as defined below) in the issued share capital of the Company:–
  - (a) the authorised share capital of the Company be reduced from HK\$3,000,000,000 divided into 30,000,000,000 shares of HK\$0.10 each to HK\$300,000,000 divided into 30,000,000,000 shares of HK\$0.01 each (the “**Reduced Shares**”) and that such reduction be effected by cancelling HK\$0.09 of the paid up capital on each issued share of HK\$0.10 and reducing the par value of each issued or unissued share in the capital of the Company from HK\$0.10 per share to HK\$0.01 per share (collectively, the “**Capital Reduction**”);

- (b) subject to and forthwith upon the Capital Reduction taking effect, every ten (10) Reduced Shares be consolidated into one share of HK\$0.10 each (the “**Adjusted Share**”) (collectively, the “**Share Consolidation**”) and any fraction of the Adjusted Shares arising from the Share Consolidation shall not be allocated to any holders of shares of the Company otherwise entitled thereto but such fractions shall be aggregated and be sold for the benefit of the Company;
- (c) the credit arising from the Capital Reduction be used to set off against the audited balance in the accumulated losses account as at the latest audited account of the Company and the balance be credited to the share premium account or such reserve(s) as the Court may direct (the “**Application of Credit**”);
- (d) all of the Adjusted Shares resulting from the Capital Reduction and the Share Consolidation shall rank *pari passu* in all respects among themselves and while the rights and privileges be subject to the restrictions contained in the Articles of Association of the Company;
- (e) subject to and forthwith upon the Capital Reduction and the Share Consolidation taking effect, the Memorandum and Articles of Association of the Company (the “**Memorandum and Articles of Association**”) be and are hereby amended as follows:

By deleting the existing Clause 5 of the Memorandum of Association of the Company in its entirety and replacing it with the following new Clause 5:

“The authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.10 each.”

By deleting the existing Article 3(A) of the Articles of Association of the Company in its entirety and replacing it with the following new Article 3(A):

“The authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.10 each.”

(collectively, the “**Amendments to the M&A**”); and

- (f) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he may in his absolute discretion consider necessary or desirable for the purpose of and in connection with the Capital Reduction, the Share Consolidation, the Application of Credit and the Amendments to the M&A set out in this resolution as he may in his absolute discretion consider necessary or desirable.”

#### **ORDINARY RESOLUTIONS**

2. To re-elect Mr. Lam Raymond Shiu Cheung as an independent non-executive director.
3. To re-elect Mr. Yeung Kwok Leung as an executive director.
4. To authorise the board of directors to fix the directors’ remuneration.

By order of the Board  
**The Hong Kong Building and Loan Agency Limited**  
**So Yuen Chun**  
*Executive Director*

Hong Kong, 29 May 2012

*As at the date hereof, the Board comprises, Mr. So Yuen Chun and Mr. Yeung Kwok Leung being executive Directors; Mr. Lam Kwok Hing, Wilfred being non-executive Director; and Mr. Ng Cheuk Fan, Keith, Mr. Yeung Wai Hung, Peter and Mr. Lam Raymond Shiu Cheung being independent non-executive Directors.*

*Notes:*

1. A member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his or her proxy to attend and vote instead of him or her. 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 of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for the Meeting or any adjournment thereof (as the case may be).
4. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share of the Company as if he or 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 in respect of such share shall alone be entitled to vote in respect of such share of the Company.