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

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

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The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

**PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT,
RE-ELECTION OF RETIRING DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting of the Company (the “EGM”) to be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Friday, 7 December 2012 at 3:30 p.m. is set out on pages 10 to 11 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.

20 November 2012

DEFINITIONS

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

“Adjusted Share(s)”	ordinary shares 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
“Board”	the board of Directors
“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
“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
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Friday, 7 December 2012 at 3:30 p.m. or any adjournment thereof
“Eligible Participant(s)”	<p>(a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, or any of its subsidiaries or Invested Entity in which any member of the Group holds any equity interest (the “Employee”)</p> <p>(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity</p>

DEFINITIONS

- (c) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity
- (d) any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which the Group holds any equity interest
“Latest Practicable Date”	15 November 2012, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all Options which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Shares
“Share Consolidation”	the proposed consolidation of every ten Reduced Shares of HK\$0.01 each into one Adjusted Share of HK\$0.10 each
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders on 22 May 2008
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



The Hong Kong Building and Loan Agency Limited 香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

Executive Directors:

Mr. So Yuen Chun
Mr. Yeung Kwok Leung

Non-executive Director:

Mr. Lam Kwok Hing, Wilfred

Independent non-executive Directors:

Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung
Ms. Yuen Wai Man

Registered office:

Unit F, 7/F.,
China Overseas Building,
139 Hennessy Road,
Wanchai,
Hong Kong

20 November 2012

*To the Shareholders, and for information only,
holders of convertible bonds of the Company*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT,
RE-ELECTION OF RETIRING DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding (i) the ordinary resolutions to be proposed at the forthcoming EGM relating to propose the refreshment of Scheme Mandate Limit and the re-election of retiring Director; and (ii) to give you a notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the necessary resolutions in relation to the above proposals. To the extent that the Directors are aware and having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on these resolutions.

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT

The Board proposes to seek the approval of the Shareholders to refresh the Scheme Mandate Limit. Under the existing limit of the Share Option Scheme, the Directors were authorized to grant options to subscribe for up to 22,500,000 Shares, representing 10% of the issued share capital of the Company as at the date of the annual general meeting of the Company held on 22 May 2008. During the period from 22 May 2008 to the Latest Practicable Date, no refreshment of Scheme Mandate Limit has been made, no options have been granted by the Company and none of the outstanding options has been exercised, lapsed nor cancelled.

As at the Latest Practicable Date, the total number of Shares in issue is increased to 4,351,488,667. Unless the Scheme Mandate Limit is refreshed, the maximum number of Shares to be issued under the Share Option Scheme represents only approximately 0.52% of the issued share capital of the Company as enlarged by the above events.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected Eligible Participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

Pursuant to the Share Option Scheme and in compliance with Chapter 17 of the Listing Rules, the Company may refresh the Scheme Mandate Limit by ordinary resolution of the Shareholders at a general meeting provided that the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the Shares in issue as at the date of passing the relevant resolution at the general meeting. Any share options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. As at the Latest Practicable Date, there were 4,351,488,667 Shares in issue.

Notwithstanding the foregoing, pursuant to the Listing Rules, the maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any share option scheme(s) of the Company if this will result in the 30% limit being exceeded.

LETTER FROM THE BOARD

On the basis of 4,351,488,667 Shares being in issue as at the Latest Practicable Date and assuming that no Shares are issued or repurchased prior to the EGM and the Capital Reorganisation is not completed before the EGM, the maximum number of Shares which may be issued upon exercise of all share options that may be granted under the refreshed Scheme Mandate Limit is 435,148,866 Shares, representing 10% of the Company's issued share capital as at the Latest Practicable Date.

Assuming the Capital Reorganisation is completed before the EGM and assuming that no Shares are issued or repurchased prior to the EGM, the maximum number of Shares which may be issued upon exercise of all share options that may be granted under the refreshed Scheme Mandate Limit is 43,514,886 Shares.

CONDITIONS OF THE REFRESHMENT OF SCHEME MANDATE LIMIT

The refreshment of the Scheme Mandate Limit is conditional upon:

- (a) the Shareholders passing an ordinary resolution to approve the refreshment of the Scheme Mandate Limit at the EGM; and
- (b) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme under the refreshed Scheme Mandate Limit not exceeding 10% of the number of Shares in issue as at the date of approval by the Shareholders.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares that may be issued pursuant to the exercise of the share options that may be granted under the refreshed Scheme Mandate Limit.

RE-ELECTION OF RETIRING DIRECTOR

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, Ms. Yuen Wai Man ("**Ms. Yuen**") who was appointed as Director on 1 November 2012 will hold office only until the next following general meeting of the Company; that is, the EGM. Ms. Yuen being eligible, offer herself for re-election as Director at the EGM.

LETTER FROM THE BOARD

Ms. Yuen does not 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 Ms. Yuen is set out in Appendix I to this circular.

ACTION TO BE TAKEN

Notice of EGM dated 20 November 2012 is set out on pages 10 to 11 of this circular, and a form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy and return it to the Company's registered office of Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong so as to be received not less than 48 hours before the time appointed for holding the EGM. The return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions put to vote at the EGM will be taken by way of poll. An announcement on the poll vote results will be made by the Company after the EGM on the websites of the Stock Exchange and of the Company respectively.

RECOMMENDATION

The Directors consider that the proposed ordinary resolutions for the refreshment of the Scheme Mandate Limit and the re-election of retiring Director are in the best interests of the Company and the Shareholders as a whole and accordingly recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

RESPONSIBILITY 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 Group. 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.

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

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

Ms. Yuen Wai Man, aged 40, graduated from the University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 18 years. She is an independent non-executive director of China Railway Logistics Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, since 4 July 2008. Saved as disclosed above, Ms. Yuen did not hold any other directorship in any public listed companies in the last three years nor has she held any position with the Company and any of its subsidiaries.

On 3 March 2010, Ms. Yuen was reprimanded by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for breaching the Professional Accountants Ordinance (Cap. 50). Ms. Yuen, as the former sole proprietor of a firm of certified public accountants, W. M. Yuen & Company, had failed to express a qualified opinion on a breach of the requirements of the Companies Ordinance that were applicable to the preparation of the financial statements of a company for the period from 16 February 2000 to 31 March 2001 and for the year ended 31 March 2002. Full particulars surrounding this matter are available on the HKICPA’s website. Due to the relatively mild nature of the transgression, the matter was resolved by way of agreement and consent between the HKICPA and Ms. Yuen on 10 February 2010 and the need for written submissions or formal hearings of the complaint were dispensed with. The Consent Order evidencing the same was issued on 3 March 2010, whereby Ms. Yuen was reprimanded and ordered to pay a relatively nominal penalty to the HKICPA together with the costs of the disciplinary proceedings.

Ms. Yuen has entered into a letter of appointment with the Company for a fixed term of three years commencing on 1 November 2012 and is subject to termination by inter alia either party giving not less than three months’ written notice. Her appointment is also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. Ms. Yuen is entitled to receive a director’s fee of HK\$100,000 per annum which was determined by the Board with reference to her experience, and duties and responsibilities in the Company as well as the market conditions.

Ms. Yuen does not have, and is not deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) and is not connected with any directors, senior management, substantial shareholders or the controlling shareholders of the Company.

Save as disclosed above, in relation to the appointment of Ms. Yuen, the Board is not aware of any information that ought to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to (v) of the Listing Rules, nor is there any other matters that ought to be brought to the attention of the shareholders of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING



The Hong Kong Building and Loan Agency Limited 香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of The Hong Kong Building and Loan Agency Limited (the “**Company**”) will be held at LG2, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Friday, 7 December 2012 at 3:30 p.m. or any adjournment thereof (as the case may be) for the purpose of considering and, if thought fit, passing, with or without amendment or modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the granting by the Listing Committee of the Stock Exchange of Hong Kong Limited of, the listing of and permission to deal in, the shares of HK\$0.10 each (the “**Shares**”) of the Company to be issued pursuant to the exercise of options granted under the refreshed scheme mandate limit (the “**Scheme Mandate Limit**”) under the share option scheme adopted by an ordinary resolution of the Shareholders passed on 22 May 2008 in the manner as set out in paragraph (a) of this Resolution below,
 - (a) the refreshment of the Scheme Mandate Limit of up to 10% of the Shares of the Company in issue as at the date of passing of this resolution be and is hereby approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the directors of the Company be and are hereby authorized to do all such acts and things and execute all such documents, including under deal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement.”
2. To re-elect Ms. Yuen Wai Man as an independent non-executive director of the Company.

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

Hong Kong, 20 November 2012

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 notorially 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.