
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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, you should at once hand this circular, the accompanying form of proxy and the 2007 Annual Report to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this circular.

**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)*

**PROPOSALS FOR RE-ELECTION OF DIRECTORS
GENERAL MANDATES TO ISSUE SECURITIES AND REPURCHASE SHARES
AND
ADOPTION OF SHARE OPTION SCHEME**

A notice convening the annual general meeting of The Hong Kong Building and Loan Agency Limited to be held at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Thursday, 22nd May, 2008 at 5 p.m., is set out in Appendix IV to this circular. Whether or not you are able to attend the meeting, 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 27th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment thereof if they so wish.

28th April, 2008

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DEFINITIONS

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

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|---------------------------|--|
| “AGM” | the annual general meeting of the Company to be held on Thursday, 22nd May, 2008 at 5 p.m. |
| “Articles” | the articles of association of the Company |
| “Board” | the board of Directors |
| “Company” | The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board |
| “Director(s)” | director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Latest Practicable Date” | 21st April, 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Committee” | the Listing Committee of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Main Board” | the stock market operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market |
| “Repurchase Code” | Hong Kong Code on Share Repurchases |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | share(s) of HK\$1.00 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Share Option Scheme” | the share option scheme of the Company to be adopted at the AGM, the principal terms of which are set out in Appendix III of this circular |

DEFINITIONS

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|----------------------|---|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | Hong Kong Code on Takeovers and Mergers |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “2007 Annual Report” | annual report of the Company for the year of 2007 |
| “%” | 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:

John Zwaanstra (*Chairman*)
John Pridjian (*Chief Executive*)
Todd David Zwaanstra
Jonathon Jarrod Lawless

Registered Office:

27th Floor
Entertainment Building
30 Queen's Road Central
Hong Kong

Independent Non-Executive Directors:

Alan Howard Smith, J.P.
Stephen King Chang-Min
Patrick Smulders

28th April, 2008

To the Shareholders,

Dear Sir or Madam,

PROPOSALS FOR RE-ELECTION OF DIRECTORS GENERAL MANDATES TO ISSUE SECURITIES AND REPURCHASE SHARES AND ADOPTION OF SHARE OPTION SCHEME

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the AGM relating to (i) the re-election of Directors; (ii) the granting to the Directors of general mandates to issue securities and repurchase Shares up to, respectively 20% and 10% of the aggregate nominal amount of the Company's issued share capital as at the date of passing of such resolutions; and (iii) the adoption of the Share Option Scheme.

RE-ELECTION OF DIRECTORS

The Board currently consists of seven Directors, namely Messrs. John Zwaanstra, John Pridjian, Todd David Zwaanstra, Jonathon Jarrod Lawless, Alan Howard Smith, J.P., Stephen King Chang-Min and Patrick Smulders.

LETTER FROM THE BOARD

Pursuant to Article 110 of the Articles, 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 following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election. Any Director who retires under this Article shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

Pursuant to Article 110, Messrs. John Zwaanstra, John Pridjian, Todd David Zwaanstra, Jonathon Jarrod Lawless, Alan Howard Smith, J.P., Stephen King Chang-Min and Patrick Smulders, being the Directors appointed by the Board after the Company's last annual general meeting held on 9th May, 2007, will hold office only until the next following general meeting or until the AGM and, being eligible, offer themselves for re-election as Directors. All the retiring Directors are eligible for re-election.

Article 123 of the Articles provides that no person other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for the office of a Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company in each case, during the period (being a period of at least seven days) commencing on the day after the despatch of the notice of the general meeting at which elections to the office of Director are to be considered and ending on the day that falls seven days before the date of the general meeting (both days inclusive).

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director at the AGM, notice of his intention to propose such person for election as a Director and the notice executed by the nominee of his willingness to be elected must be validly served at the registered office of the Company at 27th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong on or before 15th May, 2008.

Brief biographical details of the retiring Directors are set out in Appendix I to this circular. If a valid notice from a Shareholder to propose a person to stand for election as a Director at the AGM is received after the printing of this circular, the Company will issue a supplementary circular to inform Shareholders of the details of the additional candidate proposed.

GENERAL MANDATES TO ISSUE SECURITIES AND REPURCHASE SHARES

At the annual general meeting of the Company held on 9th May, 2007, ordinary resolutions were passed for the granting of general mandates to the Directors (i) to allot, issue and deal with additional securities of the Company up to 20% of the aggregate nominal amount of the share capital of the Company in issue at that date ("Existing Issue Mandate"); and (ii) to repurchase Shares up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at that date ("Existing Repurchase Mandate").

The Existing Issue Mandate and the Existing Repurchase Mandate will expire upon the conclusion of the AGM. The Directors consider that the Existing Issue Mandate and the Existing Repurchase Mandate increase the flexibility in the Company's affairs and are in the interests of the Shareholders, and that the same shall continue to be adopted by the Company.

LETTER FROM THE BOARD

New general mandates to allot, issue and deal with additional securities of the Company up to 20% of the issued share capital of the Company and to repurchase Shares up to 10% of the issued share capital of the Company as at the date of passing of the resolutions (“Share Repurchase Mandate”) as set out in Resolutions 4(A) and 4(B) respectively of the notice of the AGM will be proposed at the AGM. Resolution authorising the extension of the general mandate to the Directors to issue securities to include the aggregate nominal amount of such Shares repurchased (if any) under the Share Repurchase Mandate is to be proposed as Resolution 4(C) at the AGM.

With reference to the proposed new general mandates, the Directors wish to state that they have no immediate plans to issue any new securities or repurchase any Shares pursuant to the relevant mandates.

An explanatory statement containing the particulars required by the Listing Rules to enable the Shareholders to make an informed view on whether to vote for or against Resolution 4(B) to be proposed at the AGM in relation to the proposed Share Repurchase Mandate are set out in Appendix II to this circular.

ADOPTION OF SHARE OPTION SCHEME

The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and adoption of such scheme is subject to the approval of the Shareholders at the AGM. The terms of the proposed Share Option Scheme is set out in Appendix III to this circular.

An application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the shares of the Company which may be issued upon the exercise of the options which may be granted up to 10% of the total number of Shares in issue as at the date of the AGM under the Share Option Scheme.

The Company currently has no share option scheme in place. The purpose of the proposed adoption of the Share Option Scheme is to grant options to certain eligible participants as incentives or rewards for their contribution to the Group and to enable the Group to recruit and retain high calibre employees and attract human resources valuable to the Group and any invested entity. The Directors consider that the Share Option Scheme will encourage such eligible participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole.

The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option. The basis for the determination of the subscription price is specified in the rules of the Share Option Scheme.

LETTER FROM THE BOARD

Based on the 225,000,000 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company before the AGM, the maximum number of Shares to be issued upon the exercise of options that may be granted under the Share Option Scheme is 22,500,000 Shares, being 10% of the issued share capital of the Company pursuant to Rule 17.03 of the Listing Rules.

As at the Latest Practicable Date, no options have been granted and thus the Company considers that it would not be appropriate to disclose in this circular the value of options that may be granted under the proposed Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value are yet to be determined. Such variables include but are not limited to the exercise price, exercise period, lock-up period (if any). The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would be misleading to Shareholders. In the event that options are granted during a financial year, the Company will disclose the value of such options granted during the financial year in its annual report and interim report.

AGM

Notice of the AGM to be held at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Thursday, 22nd May, 2008 at 5 p.m. is set out in Appendix IV to this circular. A copy of the 2007 Annual Report of the Company is despatched to the Shareholders together with this circular. Ordinary resolutions in respect of the re-election of the Directors, the general mandates to issue securities and repurchase Shares and the adoption of the Share Option Scheme will be proposed at the AGM.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's registered office, at 27th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude the Shareholders from attending and voting in person at the AGM or any adjournment thereof if they so wish.

Pursuant to Article 86 of the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or a poll is (before or on the declaration of the result of the show of hands) demanded by: (i) the chairman of the meeting; or (ii) at least five Shareholders present in person or by proxy for the time being entitled to vote at the general meeting; or (iii) any Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the general meeting; or (iv) a Shareholder or Shareholders present in person or by proxy and holding Shares in the Company conferring a right to vote at the general meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposed ordinary resolutions as set out in the notice of the AGM are each in the best interests of the Company and the Shareholders as a whole, and accordingly, recommend all Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

GENERAL INFORMATION

This circular, for which the Directors collectively and individually accept full responsibility, for the accuracy of the information contained herein, 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: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Copies of the Company's memorandum of association, the Articles and the Share Option Scheme will be available for inspection at the registered office of the Company in Hong Kong at 27th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the AGM.

Your attention is drawn to the additional information set out in the Appendices to this circular. The English text of this circular shall prevail over the Chinese text.

Yours faithfully,
For and on behalf of the Board
**THE HONG KONG BUILDING AND
LOAN AGENCY LIMITED**
John Zwaanstra
Chairman

The biographical details of the Directors proposed to be re-elected at the forthcoming AGM are set out as follows:

John Zwaanstra, aged 42, has been appointed as the Chairman and an Executive Director of the Company since July, 2007. He is a professional investor who has extensive experience in real estate, investment management and securities analysis. He has approximately 20 years of experience in investment management with Asian markets. Mr. John Zwaanstra received a Bachelor of Arts Degree magna cum laude from Harvard University. He did not hold any other directorships in listed public companies during the past three years.

Mr. John Zwaanstra has not entered into any service contract with the Company. In accordance with the Articles of the Company, Mr. John Zwaanstra shall retire as a Director at the AGM and, being eligible, offer himself for re-election as Director. Mr. John Zwaanstra receives no emoluments from the Group currently. Mr. John Zwaanstra is the elder brother of Mr. Todd David Zwaanstra, an Executive Director of the Company. Mr. John Zwaanstra, through controlling more than one-third of the voting power of the founder of the Mercurius Partners Trust, a discretionary trust which indirectly owns 168,750,000 shares of the Company, is deemed to have interest in the said shares.

Save as disclosed, Mr. John Zwaanstra is not or was not connected with any Directors, the senior management, substantial or controlling Shareholders of the Company, nor does he have any interest in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. John Zwaanstra to be disclosed.

Save as disclosed above, there are no other matters relating to Mr. John Zwaanstra's re-election that need to be brought to the attention of the Shareholders.

John Pridjian, aged 43, has been appointed as the Chief Executive and an Executive Director of the Company since July, 2007. He served as the Chief Financial Officer of Penta Investment Advisers Ltd. ("Penta") since 2004. Prior to joining Penta, Mr. Pridjian was a tax principal for two years with Deloitte & Touche LLP ("Deloitte"), and was also a member firm partner approximately for one year with the Arthur Andersen LLP tax practice acquired by Deloitte. Prior to this time, from 1993 to 2001, Mr. Pridjian practiced law with Sidley Austin LLP in Los Angeles where he was a partner. Mr. Pridjian's practice focused on advising private equity and multinational corporate clients and hedge funds on cross-border mergers, acquisitions and investment transactions. Mr. Pridjian received his degree of Master of Business Administration from the University of Chicago. He received his Juris Doctor and Bachelor of Science degrees from the University of Illinois. He is registered as a Certified Public Accountant in the State of Illinois. He is a member of the State Bar of California and has written several law review articles. Mr. Pridjian did not hold any other directorships in listed public companies during the past three years.

Mr. Pridjian has not entered into any service contract with the Company. In accordance with the Articles of the Company, he shall retire as a Director at the AGM and, being eligible, offer himself for re-election as Director. Mr. Pridjian receives no emoluments from the Group currently. Mr. Pridjian is not or was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company, nor does he have any interest in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Pridjian to be disclosed.

Save as disclosed above, there are no other matters relating to Mr. Pridjian's re-election that need to be brought to the attention of the Shareholders.

Todd David Zwaanstra, aged 35, has been appointed as an Executive Director of the Company since July, 2007. He is a Senior Trader for Penta. Prior to joining Penta in 2006, Mr. Todd Zwaanstra worked for Goldman, Sachs & Co. in San Francisco for over nine years as a Vice President of Global Equity Derivative Sales. He was responsible for advising hedge funds, investment managers, and pension funds. His role involved the execution, analysis and marketing of the Equity Derivative Products. Mr. Todd Zwaanstra received a Bachelor of Arts degree in Economics from the University of California at Los Angeles. Mr. Todd Zwaanstra did not hold any other directorships in listed public companies during the past three years.

Mr. Todd Zwaanstra has not entered into any service contract with the Company. In accordance with the Articles of the Company, Mr. Todd Zwaanstra shall retire as a Director at the AGM and, being eligible, offer himself for re-election as Director. Mr. Todd Zwaanstra receives no emoluments from the Group currently. Mr. Todd David Zwaanstra is the younger brother of Mr. John Zwaanstra, the Chairman of the Company. Mr. Todd Zwaanstra, through controlling more than one-third of the voting power of the trustee of the Mercurius Partners Trust, a discretionary trust which indirectly owns 168,750,000 shares of the Company, is deemed to have interest in the said shares.

Save as disclosed, Mr. Todd Zwaanstra is not or was not connected with any Directors, the senior management, substantial or controlling Shareholders of the Company, nor does he have any interest in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Todd Zwaanstra to be disclosed.

Save as disclosed above, there are no other matters relating to Mr. Todd Zwaanstra's re-election that need to be brought to the attention of the Shareholders.

Jonathon Jarrod Lawless, aged 31, has been appointed as an Executive Director of the Company since July, 2007. He is an Analyst for Penta. Prior to joining Penta, Mr. Lawless worked for over eight years with Colonial First State in Australia. Mr. Lawless was a Portfolio Manager of hedge funds in the Fund of Hedge Funds team, and strategy specialist covering idea generation, manager due diligence and monitoring across equity hedge fund strategies globally. Mr. Lawless holds a Bachelor's degree in Commerce, from the University of Melbourne, and completed the Financial Services Institute of Australasia Graduate Diploma in Applied Finance and Investment. Mr. Lawless did not hold any other directorships in listed public companies during the past three years.

Mr. Lawless has not entered into any service contract with the Company. In accordance with the Articles of the Company, Mr. Lawless shall retire as a Director at the AGM and, being eligible, offer himself for re-election as Director. Mr. Lawless receives no emoluments from the Group currently. Mr. Lawless does not have any relationship with any Directors, senior management or substantial or controlling Shareholder of the Company, nor does he have any interest or short position in the shares underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, there is no other information in relation to Mr. Lawless to be disclosed.

Save as disclosed above, there are no other matters relating to Mr. Lawless's re-election that need to be brought to the attention of the Shareholders.

Alan Howard Smith, JP, aged 64, has been appointed as an Independent Non-Executive Director of the Company since July, 2007. Mr. Smith, graduated with a LLB (Honours) degree from Bristol University, England in 1964 and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr. Smith has over 28 years of investment banking experience in Asia. He was elected a council member of the Stock Exchange on two occasions. He was a member of the Hong Kong Special Administrative Region Government's Economic Advisory Committee, and was for 10 years a member of the Hong Kong Government's Standing Committee on Company Law Reform. He was a director of The Jardine Fleming Group Limited ("JF") from 1975 to 1996. Mr. Smith is also a director of a number of other listed companies including Frasers Property (China) Limited, Kingway Brewery Holdings Limited, Lei Shing Hong Limited, Star Cruises Limited and VXL Capital Limited which are listed on the Stock Exchange. In addition, he is also a director of a number of other companies with their shares listed on the Irish Stock Exchange, London Stock Exchange, Singapore Stock Exchange or NASDAQ.

Mr. Smith has entered into a service contract with the Company with a term of three years commencing from 3rd July, 2007. In accordance with the Articles of the Company, Mr. Smith shall retire as a Director at the AGM and, being eligible, offer himself for re-election as Director. Mr. Smith receives a director's fee of HK\$100,000 per annum which is determined by the Board with reference to his duties and responsibilities and market conditions. Save as disclosed, he does not have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date. Mr. Smith does not have any relationship with any Directors, senior management or substantial or controlling Shareholder of the Company.

In 1984, the Monetary Authority of Singapore withdrew approval for a Singapore subsidiary of JF to operate as a merchant bank; and in 1996, the Securities and Futures Commission (the "SFC") issued a public reprimand to a subsidiary of JF for breaches of the Code of Conduct issued by the SFC. In neither case was Mr. Smith personally censured or reprimanded by the SFC. Mr. Smith is one of the beneficiaries of a retirement benefit fund, which is a trust ("Trust"). The trustee of the Trust, through its wholly-owned subsidiary holds approximately 0.36% of the total issued share capital of Penta Asia Fund Limited, a connected person of the Company by virtue of being an associate (as defined under the Listing Rules) of Mercurius Partners, LLP which is a substantial shareholder (as defined under the Listing Rules) of the Company.

Save as disclosed, Mr. Smith is not or was not connected with any Directors, the senior management, substantial or controlling Shareholders of the Company, nor does he have any interest in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed, there is no other information in relation to Mr. Smith to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules,

Save as disclosed above, there are no other matters relating to Mr. Smith's re-election that need to be brought to the attention of the Shareholders.

Stephen King Chang-Min, aged 41, has been appointed as an Independent Non-Executive Director of the Company since July, 2007. Mr. King is a Partner and member of the Investment Committee of CCMP Capital Asia (formerly known as J.P. Morgan Partners Asia) based in Hong Kong and currently oversees the firm's activities in Australia and New Zealand. Mr. King is currently Chairman of Waco International and additionally serves on the boards of Independent Liquor, Godfreys, Air International Thermal, Repco Corporation, Yellow Pages Group (New Zealand) and previously served on the board of Yellow Pages Singapore. Mr. King is also on the Executive Committee and the Treasurer of The Hong Kong Venture Capital Association. Prior to joining the firm in 2001, Mr. King spent more than eight years with J.P. Morgan & Co. in New York and Hong Kong where he held numerous positions in capital markets and mergers and acquisitions, including serving as Vice President of J.P. Morgan Capital Corporation and J.P. Morgan Securities Ltd.. Mr. King holds a Bachelor of Arts degree cum laude from Harvard University. Mr. King was a director of Yellow Pages (Singapore) Pte Ltd. from June 2003 to January 2007, a company with its shares listed on the Singapore Stock Exchange.

Mr. King has entered into a service contract with the Company with a term of three years commencing from 3rd July, 2007. In accordance with the Articles of the Company, Mr. King shall retire as a Director at the AGM and, being eligible, offer himself for re-election as Director. Mr. King receives a director's fee of HK\$100,000 per annum which is determined by the Board with reference to his duties and responsibilities and market conditions. Mr. King does not have any relationship with any Directors, senior management or substantial or controlling Shareholders of the Company, nor does he have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

MPL(I) Limited, an investment holding company incorporated in Mauritius of which Mr. King is one of the directors, was put into receivership on 3rd November 2006 by its secured lenders as a result of unpaid debts of US\$82.4 million, and is currently the subject of a court controlled sale process.

Save as disclosed, there is no other information in relation to Mr. King to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

Save as disclosed above, there are no other matters relating to Mr. King's re-election that need to be brought to the attention of the Shareholders.

Patrick Smulders, aged 42, has been appointed as an Independent Non-Executive Director of the Company since July, 2007. Mr. Smulders is a Senior Managing Director and member of the Investment Committee in the London office of TowerBrook. Prior to the formation of TowerBrook, Mr. Smulders was a Senior Managing Director and an Investment Committee Member at Soros Private Equity. He was also a Deal Principal and a co-founder of Doughty Hanson & Co from 1993 to 2003. Mr. Smulders earned his Bachelor of Arts degree from Harvard University and received his Master of Business Administration from Harvard Business School.

Mr. Smulders has entered into a service contract with the Company with a term of three years commencing from 3rd July, 2007. In accordance with the Articles of the Company, Mr. Smulders shall retire as a Director at the AGM and, being eligible, offer himself for re-election as Director. Mr. Smulders receives a director's fee of HK\$100,000 per annum which is determined by the Board with reference to his duties and responsibilities and market conditions. Mr. Smulders does not have any relationship with any Directors, senior management or substantial or controlling Shareholder of the Company, nor does he have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. Smulders was a director of Ionica PLC ("Ionica"), the shares of which were once listed on the London Stock Exchange. Ionica went into administration in October 1998 when Mr. Smulders was a director. Ionica has been fully liquidated with no outstanding claims. Save as disclosed, Mr. Smulders did not hold any other directorships in listed public companies during the past three years.

Save as disclosed, there is no other information in relation to Mr. Smulders to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

Save as disclosed above, there are no other matters relating to Mr. Smulder's re-election that need to be brought to the attention of the Shareholders.

This Appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the AGM in relation to the proposed Share Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$225,000,000 divided into 225,000,000 Shares.

Subject to the passing of the resolution granting the proposed mandate to repurchase Shares and on the basis that no further Shares are issued or repurchased before the AGM, the Company will be allowed to repurchase a maximum of 22,500,000 Shares during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares on the Stock Exchange. Such repurchases may, depending on market conditions, and funding arrangements at the time, lead to an enhancement of the net assets value of the Company and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company and in circumstances where they consider that the Shares can be repurchased on the terms favourable to the Company. On the basis of the consolidated financial position of the Company as at 31st December, 2007, being the date to which the latest published audited financial statements of the Company were made up, the Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the currently prevailing market value, it may have a material adverse impact on the working capital position and gearing level of the Company. The Directors do not propose to exercise the mandate to repurchase Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company as compared with the position disclosed in the latest published audited financial statements or the gearing level which, in the opinion of the Directors, are from time to time appropriate for the Company.

FUNDING OF REPURCHASES

Repurchases to be made pursuant to the proposed mandate to repurchase Shares would be financed out of funds legally available for the purpose in accordance with the Company's memorandum of association and the Articles and the applicable laws of Hong Kong and the Listing Rules. Such funds include, but are not limited to, profits available for distribution.

EFFECT OF THE TAKEOVERS CODE AND REPURCHASE CODE

Upon the exercise of the power to repurchase Shares pursuant to the Share Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code and Rule 6 of the Repurchase Code. Accordingly, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and, depending on the level of increase of the Shareholders' interest, may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Mercurius Partners Investments Limited, by itself and through its wholly-owned subsidiary, held 168,750,000 Shares according to the register maintained under section 336(1) of the SFO, representing approximately 75% of the issued share capital of the Company. Based on such interest and in the event that the Directors exercise in full the power to repurchase Shares under the Share Repurchase Mandate, the interest of Mercurius Partners Investments Limited would be increased to approximately 83.333% of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases of Shares made under the Share Repurchase Mandate. In the event that the Share Repurchase Mandate is exercised in full, the number of Shares of the Company held by the public would fall below 25% of the total number of Shares in issue. The Directors have no present intention to repurchase Shares to such an extent which will result in the number of the Shares held by the public being reduced to less than 25%.

PRICE OF THE SHARES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the past twelve months:

| | Shares | |
|---|------------------------|-----------------------|
| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
| 2007 | | |
| April | 2.500 | 1.810 |
| May | 5.030 | 1.830 |
| June | 4.830 | 3.000 |
| July | 4.600 | 4.000 |
| August | 4.560 | 4.250 |
| September | 4.150 | 3.380 |
| October | 3.850 | 3.030 |
| November | 3.900 | 3.000 |
| December | 3.500 | 3.000 |
| 2008 | | |
| January | 3.100 | 1.620 |
| February | 1.870 | 1.500 |
| March | 1.700 | 1.400 |
| April (up to the Latest Practicable Date) | 1.650 | 1.500 |

REPURCHASE OF SHARES

No Shares of the Company have been repurchased by the Company or any of its subsidiaries during the six months immediately preceding the Latest Practicable Date.

GENERAL

To the best of their knowledge and having made all reasonable enquiries, none of the Directors nor any of their associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company or its subsidiaries if the Share Repurchase Mandate is exercised by the Company.

No connected persons of the Company (as defined in the Listing Rules) have notified the Company that they have a present intention to sell any Shares to the Company, or have undertaken not to do so in the event that the Company is authorised to make repurchase of the Shares.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate to repurchase Shares in accordance with the Listing Rules and the applicable laws of Hong Kong.

The following is a summary of the principal terms of the Share Option Scheme to be adopted at the AGM. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

For the purpose of this Appendix only, unless the context otherwise requires, the following words shall have the following meanings:

| | |
|------------------------|---|
| “Adoption Date” | means 22nd May, 2008 the date on which the Scheme is conditionally adopted by the Company at a general meeting of the Shareholders; |
| “Associates” | has the meaning ascribed thereto in Rule 1.01 of the Listing Rules; |
| “Auditors” | means the auditors for the time being of the Company; |
| “Board” | means the board of Directors or a duly authorised committee thereof; |
| “Business Day” | means a day (other than Saturday and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business; |
| “Company” | The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Main Board of the Stock Exchange |
| “Connected Person” | has the meaning ascribed to it under rule 1.01 of the Listing Rules; |
| “Directors” | means the directors of the Company and “Director” shall be construed accordingly; |
| “Eligible Participant” | means: (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”); (b) any non-executive director (including independent non-executive directors) of the Company, any of its Subsidiaries or any Invested Entity; (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, |
| “Exchange” | means The Stock Exchange of Hong Kong Limited; |
| “Grantee” | means any Eligible Participant who accepts the offer of the grant of any Option in accordance with the terms of the Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee; |
| “Group” | means the Company and its Subsidiaries from time to time and “members of the Group” shall be construed accordingly; |
| “Hong Kong” | means the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Invested Entity” | means any entity in which the Group holds any equity interest; |
| “Listing Rules” | means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time); |
| “Main Board” | means the main board of the Exchange; |
| “Option” | means an option to subscribe for Shares granted pursuant to the Scheme; |
| “Scheme” | means this share option scheme in its present or any amended form; |
| “Shares” | means shares of HK\$1.00 each (or of such other nominal amount as shall result from a sub-division, consolidation, re-classification or reconstruction of such shares from time to time) of the Company; |
| “Shareholders” | means the holders of Shares; |
| “Subscription Price” | means the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option as described in paragraph 5; |
| “Subsidiary” | means a company which is for the time being and from time to time a subsidiary of the Company; |
| “Substantial Shareholder” | has the meaning ascribed thereto under rule 1.01 of the Listing Rules; |

| | |
|---------------|---|
| “Trading Day” | means a day on which the Exchange is open for the trading of securities; and |
| “HK\$” | Hong Kong dollars. |

1. PURPOSE

The purpose of this 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.

2. WHO MAY JOIN

On and subject to the terms of the Scheme, the Board shall be entitled at any time and from time to time within ten (10) years after the Adoption Date to offer to grant to any Eligible Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may impose at its absolute discretion, an Option to subscribe for such number of Shares as the Board may determine at an exercise price determined as described under paragraph 5 below. An offer of the grant of an Option (the “Offer”) shall remain open for acceptance by the Eligible Participant concerned for a period of 7 days from the date of the offer and no such offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after this Scheme has been terminated. An Option shall be deemed to have been granted and accepted (with retrospective effect from the offer date) when the duplicate letter comprising acceptance of the Option duly signed by the Grantee with the number of Shares in respect of which Offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.

Any Offer may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of such number of Shares as represents a board lot for the time being for the purposes of trading on the Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within 7 days from the date of the Offer, it will be deemed to have been irrevocably declined and lapsed automatically.

3. MAXIMUM NUMBER OF SHARES

The total number of Shares in respect of which Options (including both exercised and outstanding Options) may be granted under the Scheme and any other share option schemes of our Company shall not in aggregate exceed 10 per cent. of the total number of Shares in issue at the time the Scheme is adopted by the Shareholders.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time up to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

No options shall be granted under any schemes of the Company (including the Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph 18 below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

4. MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL

- (a) Subject to paragraph 4(b), no Eligible Participant shall be granted an Option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Participant (including both exercised and outstanding Options) in any 12-month period exceeding 1% of the total number of Shares in issue.

- (b) Where any further grant of Options to a Eligible Participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his Associates abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted and Options previously granted to such Eligible Participant and the information required under Rule 17.02(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Subscription Price) of the Options to be granted to such Eligible Participant must be fixed before the Shareholders' approval and the date of the meeting of the Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the Subscription Price.

5. EXERCISE PRICE

The subscription price in respect of any Option granted under the Share Option Scheme shall be such price as determined by the Board in its absolute discretion but in any case shall not be lower than the higher of:

- (a) the closing price of the Shares as stated in the Exchange's daily quotation sheet on the date of grant, which must be a Business Day;
- (b) the average closing price of the Shares as stated in the Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; and
- (c) the nominal value of a Share.

6. GRANT OF OPTIONS TO CONNECTED PERSONS

Any grant of Options to a Director, chief executive (other than a proposed Director or a proposed chief executive of the Company) or substantial shareholder or any of their respective Associates, under the Scheme or any other share option scheme of the Company or any of its subsidiaries shall be subject to approval by the independent non-executive Directors (excluding independent non-executive Director who is a Grantee of the Options). In case of any change in the terms of Options granted to a substantial shareholder or an independent non-executive Director, or any of their respective Associates; or where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective Associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of Options must be approved by the Shareholders and the Company shall send a circular to all Shareholders. All Connected Persons of the Company must abstain from voting in favour at such general meeting. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

7. RESTRICTIONS ON THE TIMES OF GRANT OF OPTIONS

No offer of grant of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with rule 2.07C of the Listing Rules. In particular, no option may be granted during the period of one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Exchange in accordance with Rule 13.43 of the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of the results announcement.

8. RIGHTS ARE PERSONAL TO GRANTEE

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee.

9. EXERCISE OF OPTION

An Option may be exercised in whole or in part by the Grantee (or his legal representative(s)) within the option period, which shall be determined and notified by the Board to the Grantee during which the option may be exercised and in any event shall be not more than 10 years commencing on the date on which the offer in relation to such Option is deemed to have been accepted in accordance with paragraph 2 and expiring on the last day of such 10-year period subject to the provisions for early termination contained in paragraph 16, giving notice in writing stating that the Option is to be exercised and the number of Shares in respect of which it is exercised. Such notice must be accompanied by a remittance for the full amount of the price of the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and (where appropriate) receipt of the independent financial advisor's or the Auditors' certificate under paragraph 18, the Company shall issue and allot the relevant Shares to the Grantee credited as fully paid and issue to the Grantee a share certificate in respect of the Shares so issued and allotted.

10. PERFORMANCE TARGET

There is no general requirement for any performance target to be achieved before options can be exercised under the Scheme although the Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any Option granted under the Scheme can be exercised.

11. RIGHTS ON CEASING EMPLOYMENT OR DEATH

If the Grantee of an Option ceases to be an employee of the Company or any of its Subsidiaries:

- (a) by any reason other than death or termination of his employment on the grounds specified in paragraph 12 below, the Grantee may exercise the Option up to the entitlement of the Grantee as at the date of cessation (to the extent not already exercised) on or before the date of such cessation; or
- (b) by reason of death, the legal personal representative(s) of the Grantee may exercise the Option within a period of 12 months from such cessation,

which date shall be the actual last actual working day on which the Grantee was at work with the Company, or the relevant Subsidiary or Invested Entity, on which salary is paid whether in lieu of notice of not, or such longer period as the Board may determine.

12. RIGHTS ON DISMISSAL

If the Grantee is under employment with the Company and/or any of the Subsidiaries or the Invested Entity, the date on which the Grantee ceases to be an Eligible Participant by reason of the termination of his or her employment on the grounds that he or she has been guilty of misconduct or has been convicted of any criminal offence involving his or her integrity or honesty, the Grantee's Option shall lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

13. RIGHTS ON TAKEOVER

In the event that a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, and such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his or her or its Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company in exercise of his or her or its Option at any time before the close of such offer (or any revised offer).

14. RIGHTS ON A COMPROMISE OR ARRANGEMENT

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee or his or her legal personal representative(s) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter and the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his or her or its Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective.

15. RIGHTS ON WINDING UP

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee or his or her legal personal representative(s) shall be entitled to exercise all or any of his or her or its Options (to the extent which has become exercisable and not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

16. LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraphs 11, 12, 13, 14 and 15;

- (c) the date on which the offer (or as the case may be, revised offer) referred to in paragraph 13 closes;
- (d) the date of the commencement of the winding-up of the Company referred to in paragraph 15;
- (e) the date on which the Grantee who is an Employee ceases to be an Employee by reason of the termination of his employment on the grounds that he has been guilty of misconduct or has been convicted of any criminal offence involving his integrity or honesty.

17. RANKING OF SHARES

No dividends will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights (which include, among other things, voting rights and dividend rights) attaching to Shares by reference to a date preceding the date of allotment.

18. EFFECTS OF ALTERATIONS TO SHARE CAPITAL

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the Subscription Price and/or the method of exercise of Option and/or the maximum number of Shares referred to in paragraph 3 above, in accordance with Rule 17.03(13) of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time, as the Company's independent financial adviser or Auditors shall certify in writing to the Board.

Any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain the same as that to which he or she or it was entitled before such alteration and that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of the Group as consideration in a transaction.

19. ALTERATIONS OF THE SCHEME

The Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the Shareholders in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Grantee; and (iii) any change to the authority of the Directors in relation to any alteration to the terms of the Scheme.

20. CANCELLATION OF OPTIONS

The Company may cancel an Option granted but not exercised with the approval of the Grantee of such Option. Option may be granted to an Eligible Participant in place on his cancelled Options provided that there are available unissued options (excluding the cancelled Options) within the Scheme Mandate Limit (or similar limit under any other scheme adopted by our company) from time to time.

21. DURATION AND ADMINISTRATION OF THE SCHEME

Subject to paragraph 22, the Scheme shall be valid and effective for a period of ten (10) years commencing on the date on which the conditions set out in paragraph 23 are satisfied, after which period no further Options will be granted but the provisions of this Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and remain unexercised immediately prior to the end of the ten-year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such Options are granted, notwithstanding the expiry of this Scheme.

The Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to this Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

22. TERMINATION OF THE SCHEME

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Scheme and in such event no further Option will be offered but the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Scheme.

23. CONDITION OF THE SCHEME

The Scheme is conditional on:

- (a) the passing by the Shareholders of a special resolution at the annual general meeting to approve and adopt the Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any Options.

24. DISCLOSURE IN ANNUAL AND INTERIM REPORTS

The Board shall procure that details of the Scheme are disclosed in our annual and interim reports in compliance with the Listing Rules in force from time to time.

25. PRESENT STATE OF THE SCHEME

As at the Latest Practicable Date, no Option has been granted under the Scheme.



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 Annual General Meeting (“Meeting”) of The Hong Kong Building and Loan Agency Limited (香港建屋貸款有限公司) (“Company”) will be held at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Thursday, 22nd May, 2008 at 5 p.m. for the following purposes:

1. To receive and adopt the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2007.
2. To re-elect each of the following individuals as Directors:
 - (A) Mr. John Zwaanstra
 - (B) Mr. John Pridjian
 - (C) Mr. Todd David Zwaanstra
 - (D) Mr. Jonathon Jarrod Lawless
 - (E) Mr. Alan Howard Smith, *J.P.*
 - (F) Mr. Stephen King Chang-Min
 - (G) Mr. Patrick Smulders
3. To re-appoint Messrs. Deloitte Touche Tohmatsu as Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

- (A) **“THAT:**
 - (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of HK\$1.00 each in the capital of the Company (“Shares”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (b) the approval given in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; or
 - (iii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the articles of association of the Company from time to time,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares whose names stand on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

(B) **“THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and regulations, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be repurchased by the Company pursuant to paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution, and the approval granted under paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
- (C) **“THAT** conditional upon the passing of Resolutions 4(A) and 4(B) as set out in the notice convening the Meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with additional securities of the Company pursuant to Resolution 4(A) as set out in the notice convening the Meeting be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of the Shares repurchased by the Company under the authority granted pursuant to Resolution 4(B) as set out in the notice convening the Meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution.”

- (D) “**THAT**, conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the Shares falling to be issued pursuant to the exercise of any options granted under the share option scheme referred to in the circular dispatched to the shareholders on the same day as the notice convening the Meeting, the terms of which are set out in the printed document marked “A” produced to the Meeting and for the purpose of identification signed by the Chairman of the Meeting (the “**Share Option Scheme**”), the terms of Share Option Scheme be and are hereby approved and adopted as the share option scheme of the Company, and that the Directors be and are hereby authorised generally to allot and issue share options and/or shares pursuant to the terms of the Share Option Scheme, do all acts and things and to approve, sign and execute any other documents which in their opinion may be necessary, desirable or expedient to carry into effect the transactions contemplated by the Share Option Scheme.”

By Order of the Board
**THE HONG KONG BUILDING AND
LOAN AGENCY LIMITED**
Brian Ho Chi Yuen
Company Secretary

Hong Kong, 28th April, 2008

Registered Office:

27th Floor
Entertainment Building
30 Queen’s Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint another person as his proxy to attend and vote in his stead. 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 at 27th Floor, Entertainment Building, 30 Queen’s Road Central, Hong Kong, not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. Where there are joint holders of any Share, any one of such joint holders may vote at the Meeting either personally or by proxy in respect of such Share as if he/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 shall alone be entitled to vote in respect of such Share.
5. In respect of Resolution 4(A) above, the Directors wish to state that they have no immediate plans to issue any new securities of the Company under this mandate. Approval is being sought from members as a general mandate, in compliance with the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any securities of the Company up to 20% of the existing issued share capital at the date of the passing of the resolution.
6. The general purpose of the authority to be conferred on the Directors by Resolution 4(B) above is to increase flexibility and to provide discretion to the Directors in the event that it becomes desirable to repurchase on the Stock Exchange Shares representing up to a maximum of 10% of the issued share capital of the Company at the date of the passing of the resolution.