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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)

MEMORANDUM OF UNDERSTANDING AND ADVANCE TO AN ENTITY

The Board announces that, after the close of trading hours on 9 November 2009, BLAA, a wholly-owned subsidiary of the Company, and the Proposed Vendor entered into the Memorandum, pursuant to which BLAA proposed to invest in the Target Company by purchase of share of the Target Company, subscription of new share of the Target Company and/or debt instrument.

A refundable deposit in the amount of HK\$58,000,000 as Earnest Deposit without any collateral will be made by BLAA to the Proposed Vendor within 3 Business Days after the execution of the Memorandum. As the amount of the Earnest Deposit exceeds 8% of the total assets of the Company as defined under Rule 14.07(1) of the Listing Rules, it constitutes an advance to an entity pursuant to Rule 13.13 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Proposed Vendor, the Target Company and its ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

As the Proposed Investment may or may not be entered into, Shareholders of the Company and potential investors are required to exercise caution when dealing in the Shares of the Company.

THE MEMORANDUM

On 9 November 2009 after the close of trading hours, BLAA and the Proposed Vendor entered into the Memorandum, pursuant to which BLAA proposed to invest in the Target Company by purchase of share of the Target Company, subscription of new share of the Target Company and/or debt instrument.

Upon signing the Memorandum, BLAA and the Proposed Vendor confirmed that they will make good faith and efforts to conclude a formal agreement relating to the Proposed Investment. BLAA shall have the exclusivity right to conduct due diligence review (the “DD Review”) on the assets, liabilities, operations and affairs of the Target Company for a period of 120 calendar days from the date of the Memorandum (the “Exclusivity Period”).

A refundable deposit in the amount of HK\$58,000,000 as earnest money (the “Earnest Deposit”) without any collateral will be made by BLAA to the Proposed Vendor within 3 Business Days after the execution of the Memorandum. As the amount of the Earnest Deposit exceeds 8% of the total assets of the Company as defined under Rule 14.07(1) of the Listing Rules, it constitutes an advance to an entity pursuant to Rule 13.13 of the Listing Rules.

If BLAA, at its absolute discretion, is not satisfied with the results of the DD Review or decides not to proceed further in relation to the Proposed Investment on or before the expiry of the Exclusivity Period, the Proposed Vendor shall return the Earnest Deposit without any accrued interest to BLAA within 3 Business Days upon receipt written notice of dissatisfaction or not to proceed from BLAA. In the event a formal agreement (the “Formal Agreement”) in relation to the Proposed Investment is entered into between BLAA and the Proposed Vendor, the Earnest Deposit shall be applied as partial payment of the consideration for the Proposed Investment in accordance with the terms of the Formal Agreement. If the consideration per the Formal Agreement is less than the Earnest Deposit, the Proposed Vendor shall, forthwith upon the signing of the Formal Agreement, refund such excess of the Earnest Deposit to BLAA.

As the Proposed Investment may or may not be entered into, Shareholders of the Company and potential investors are required to exercise caution when dealing in the Shares of the Company.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Proposed Vendor, the Target Company and its ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability. As at the date of the Memorandum, the entire issued share capital of the Target Company is beneficially owned by the Proposed Vendor. The Target Company is a partner of a credit guarantee joint venture in the PRC and is principally engaged in investment holdings.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

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| “associates” | has the meaning ascribed thereto the Listing Rules |
| “BLAA” | The Building and Loan Agency (Asia) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company |
| “Board” | the board of Directors |
| “Business Day(s)” | 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 (stock code: 145), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange |
| “Director(s)” | directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Memorandum” | the Memorandum of Understanding entered into between BLAA and Proposed Vendor on 9 November 2009 in relation to the Proposed Investment |
| “Proposed Investment” | the proposed investment in the Target Company |

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| “Proposed Vendor” | Primeway Group Limited, a company incorporated in British Virgin Islands with limited liability |
| “PRC” | People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Share(s)” | ordinary share(s) of HK\$1.00 each in the issued share capital of the Company |
| “Shareholders” | holders of the Shares of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | New Smart Financial Group Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Proposed Vendor. The Target Company is a partner of a credit guarantee joint venture in the PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

By order of the Board
**The Hong Kong Building and
Loan Agency Limited**
Tang Yu Ming, Nelson
Chairman

Hong Kong, 9 November 2009

As at the date of this announcement, the Board comprises Mr. Lau Yu Fung, Wilson, Mr. Chan Chun Wai and Mr. Au Tin Fung being executive Directors; Mr. Tang Yu Ming, Nelson (Chairman) being non-executive Director; and Mr. Yu Kam Yee, Lawrence and Mr. Chan Chi Yuen being independent non-executive Directors.