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MERCURIUS PARTNERS INVESTMENTS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

ANNOUNCEMENT

AGREEMENT RELATING TO THE SALE AND PURCHASE OF THE ENTIRE ISSUED SHARE CAPITAL OF AND ASSIGNMENT OF SHAREHOLDER'S LOAN TO ISLAND NEW FINANCE LIMITED

AND

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER BY



**on behalf of
MERCURIUS PARTNERS INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES IN
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY MERCURIUS PARTNERS INVESTMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

The Agreement

On 11 May 2007, the Offeror and the Vendor entered into the Agreement, pursuant to which the Offeror has conditionally agreed to acquire from the Vendor (i) the Sale Share; and (ii) the benefit of the Shareholder's Loan for an aggregate consideration of HK\$248,903,319. The sole asset of Island New is its interest in 168,748,013 HKBLA Shares (representing approximately 74.99% of the issued share capital of HKBLA) and the sole liability of Island New is the Shareholder's Loan.

Possible mandatory unconditional cash offer

As at the date of the Agreement and this announcement, the Offeror and parties acting in concert with it do not hold any HKBLA Shares directly or indirectly. Upon Completion, the Offeror and parties acting in concert with it will become interested in the Sale Share and indirectly interested in 168,748,013 HKBLA Shares (representing approximately 74.99% of the issued share capital of HKBLA). In compliance with Note 8 to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it are required to make a mandatory unconditional offer for all the HKBLA Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

Subject to Completion having occurred, Somerley, the financial adviser to the Offeror, will make the Offer on behalf of the Offeror for all the HKBLA Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it at the Offer Price of HK\$1.475 for each HKBLA Share for the purpose of Note 8 to Rule 26.1 of the Takeovers Code. The terms of the Offer are set out under the section headed “Possible mandatory unconditional cash offer” below. Somerley is satisfied that sufficient financial resources are available to the Offeror to meet acceptances in full of the Offer.

Based on the issued share capital of HKBLA of 225,000,000 HKBLA Shares as at the date hereof, there are 56,251,987 HKBLA Shares subject to the Offer, representing approximately 25.01% of the issued share capital of HKBLA. The Offer is valued at approximately HK\$83.0 million based on the Offer Price of HK\$1.475 for each HKBLA Share.

Warning: The Offer is a possibility only.

Shareholders and potential investors should be aware of and take note that the Offer will only be made if Completion takes place. Completion is conditional upon the satisfaction or waiver of a number of conditions as described in the paragraph headed “Conditions” below which may or may not materialise. Accordingly, the Acquisition may or may not proceed and the Offer may or may not be made. Shareholders and potential investors in HKBLA are advised to exercise caution when dealing in the HKBLA Shares.

General

Subject to Completion, an offer document to be issued by or on behalf of the Offeror setting out details of the Offer (and attaching thereto the acceptance and transfer forms) will be sent to the Shareholders in accordance with the Takeovers Code. As the Offer is subject to Completion which is in turn subject to a number of conditions precedent which are not expected to be fulfilled within 21 days of the date of this announcement, an application will be made by the Offeror for the Executive’s consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the offer document.

THE AGREEMENT

Date

11 May 2007

Parties

- (i) the Vendor;
- (ii) the Offeror; and
- (iii) UAF, which together with the Vendor are warrantors of certain warranties in favour of the Vendor under the Agreement.

Subject matter

The Offeror has conditionally agreed to purchase and the Vendor has conditionally agreed to sell (i) the Sale Share, representing the entire issued share capital of Island New as at the date of the Agreement; and (ii) the benefit of the Shareholder's Loan in the amount of HK\$192,852,975 as at the date of the Agreement and at Completion.

The sole asset of Island New is its interest in 168,748,013 HKBLA Shares (representing approximately 74.99% of the issued share capital of HKBLA) and the sole liability of Island New is the Shareholder's Loan.

Consideration

The aggregate cash consideration under the Agreement is HK\$248,903,319, of which HK\$192,852,975 represents the consideration for the Shareholder's Loan and HK\$56,050,344 represents the consideration for the Sale Share.

On signing of the Agreement, the Offeror has paid HK\$20 million to the Vendor as deposit. The said deposit shall be applied in partial satisfaction of the aggregate consideration under the Agreement. The balance of the consideration in the sum of HK\$228,903,319 shall be payable by the Offeror to the Vendor on Completion.

Conditions

Completion is conditional upon satisfaction (or waiver) of all of the following conditions by 5:00 p.m. on 30 November 2007 (or such later date as may be agreed in writing between the parties):

- (i) all necessary approvals, consents and authorisations required for the implementation of the Agreement and the consummation of the transactions envisaged therein, under the Listing Rules and any existing contractual arrangements, including any loan or finance documentation, entered into by Island New, the Vendor, SHK and any of SHK's subsidiaries (in particular, independent shareholders' approval required to be obtained by Allied Group, Allied Properties and SHK in compliance with Chapter 14A of the Listing Rules), being obtained and remaining in full force and effect;
- (ii) all necessary licences, authorisations, consents and approvals of all relevant governmental or regulatory authorities, agencies or bodies required for the implementation of the Agreement and the consummation of the transactions envisaged therein being obtained and remaining in full force and effect;
- (iii) HKBLA retaining its listed status, with the HKBLA Shares not having been suspended from listing, other than for suspensions of a routine nature, including but not limited to, any suspension relating to the transactions and matters referred to in the Agreement (inclusive of the Offer);
- (iv) the delivery to the Offeror (or its advisors) of a certificate of good standing issued by the Registrar of Companies in the British Virgin Islands in respect of Island New and a certificate of incumbency issued by the registered agent of Island New; and
- (v) the delivery to the Offeror (or its advisors) the unaudited management accounts of Island New, comprising a balance sheet and an income statement, for the accounting period commencing from the date of incorporation of Island New and ended on the date of the Agreement, within three business days after the date of the Agreement.

If any of the conditions above is not fulfilled (or, to the extent permissible, waived by the Offeror) in full by 5:00 p.m. on 30 November 2007 or such later date as may be agreed in writing between the parties, the Vendor shall refund the HK\$20 million deposit in full, without interest, to the Offeror, and all rights, obligations and liabilities of the parties to the Agreement shall cease and terminate and none of the parties shall have any claim against any other in respect of the Agreement save for the obligation to refund the deposit and claims in respect of any antecedent breaches.

Completion

Completion shall take place on the third business day following the day on which the last of the conditions referred to above is satisfied (or otherwise waived).

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

As at the date of the Agreement and the date hereof, Island New held an aggregate of 168,748,013 HKBLA Shares, representing approximately 74.99% of the issued share capital of HKBLA. The Offeror and parties acting in concert with it do not hold any HKBLA Shares directly or indirectly as at the date of the Agreement and this announcement. Following Completion, the Offeror and parties acting in concert with it will be indirectly interested in 168,748,013 HKBLA Shares (representing approximately 74.99% of the issued share capital of HKBLA) through its interest in the Sale Share. In compliance with Note 8 to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it are required to make a mandatory unconditional offer as a result of the Acquisition for all outstanding HKBLA Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

Subject to Completion having occurred, Somerley, the financial adviser to the Offeror, will make the Offer on behalf of the Offeror for all the HKBLA Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it on the terms set out below in accordance with Note 8 to Rule 26.1 of the Takeovers Code. The Offer will only be made if Completion takes place. Completion is conditional upon the satisfaction or waiver of a number of conditions as described in the paragraph headed "Conditions" above which may or may not materialise. Accordingly, the Acquisition may or may not proceed and the Offer may or may not be made. Shareholders and potential investors in HKBLA are advised to exercise caution when dealing in the HKBLA Shares. Somerley is satisfied that sufficient financial resources are available to the Offeror to meet acceptances in full of the Offer.

Principal terms of the Offer

For each HKBLA ShareHK\$1.475 in cash

The HKBLA Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date hereof, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date hereof.

HKBLA does not have any outstanding options, warrants or convertible securities as at the date of the Agreement.

As at the date hereof, there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the securities of the Offeror or HKBLA. The Offeror and parties acting in concert with it have not dealt in the HKBLA Shares in the six months period up to the date of suspension of trading in the HKBLA Shares on 14 May 2007.

Basis of the Offer Price

The Offer is triggered pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code whereby the Offeror is obliged to make an offer for the HKBLA Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it as a result of it acquiring statutory control of Island New which in turn holds a controlling interest in HKBLA. The Offer Price has been determined after taking into consideration the value of the aggregate consideration for the Sale Share and the Shareholder's Loan under the Agreement, the number of HKBLA Shares held by Island New as at the date of the Agreement and the outstanding amount of the Shareholder's Loan of HK\$192,852,975 as at the date of the Agreement and at Completion.

Comparison of value

The Offer Price of HK\$1.475 per HKBLA Share represents:

- (i) a discount of approximately 35.9% to the closing price of HK\$2.30 per HKBLA Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.7% to the average closing price of approximately HK\$2.26 per HKBLA Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 35.8% to the average closing price of approximately HK\$2.296 per HKBLA Share as quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 43.2% over the audited consolidated net asset value of approximately HK\$1.03 per HKBLA Share (calculated based on the audited consolidated net asset value of approximately HK\$231.9 million and 225,000,000 HKBLA Shares in issue as at 31 December 2006 as shown in the annual report of HKBLA for the financial year ended 31 December 2006).

Highest and lowest HKBLA Share prices

The highest and lowest closing prices of the HKBLA Shares quoted on the Stock Exchange during the six-month period preceding the Last Trading Day were HK\$2.48 per HKBLA Share on 26 April 2007 and HK\$0.98 per HKBLA Share on 1 December 2006 respectively.

Total consideration

On the basis of the Offer Price of HK\$1.475 per HKBLA Share, the entire issued share capital of HKBLA of 225,000,000 HKBLA Shares is valued at approximately HK\$331.9 million. There are 56,251,987 HKBLA Shares subject to the Offer and the Offer is valued at approximately HK\$83.0 million.

Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the HKBLA Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Shareholders in connection with the acceptance of the Offer and the transfer of the HKBLA Shares.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within 10 days of the date on which the relevant documents of title are received by the Offeror to render each such acceptances complete and valid.

INFORMATION ON HKBLA

According to the annual report of HKBLA for the financial year ended 31 December 2006, the HKBLA Group is principally engaged in investment holding, treasury investments and the provision of mortgage finance and other related services; for the year ended 31 December 2005, the HKBLA Group recorded audited consolidated profit before taxation of approximately HK\$1.2 million and audited profit after taxation of approximately HK\$1.2 million; for the year ended 31 December 2006, the HKBLA Group recorded audited consolidated profit before taxation of approximately HK\$12.1 million and audited profit after taxation of approximately HK\$11.3 million; and the audited consolidated net asset value of the HKBLA Group as at 31 December 2006 was approximately HK\$231.9 million.

SHAREHOLDING STRUCTURE

Set out below are the respective shareholding structures of HKBLA as at the date of the Agreement and immediately after Completion:

	As at the date of the Agreement		Immediately after Completion	
	<i>Number of HKBLA Shares</i>	<i>%</i>	<i>Number of HKBLA Shares</i>	<i>%</i>
Island New (<i>Note</i>)	168,748,013	74.99	168,748,013	74.99
Public Shareholders	56,251,987	25.01	56,251,987	25.01
Total	<u>225,000,000</u>	<u>100.00</u>	<u>225,000,000</u>	<u>100.00</u>

Note: As at the date of the Agreement, Island New is controlled by SHK. Immediately after Completion, Island New will be controlled by the Offeror.

INFORMATION ON THE OFFEROR AND ITS INTENTION ON THE HKBLA GROUP

The Offeror is an investment holding company and a wholly-owned subsidiary of Mercurius Partners, LLP. Mercurius Partners, LLP is an investment holding limited liability partnership which primarily holds investments in various investment funds, with most of the underlying investments being listed securities in Asia. Mercurius Partners, LLP is in turn wholly and beneficially owned by family members of Mr. John Zwaanstra and a trust and the sole initial beneficiary thereof is wholly and beneficially owned by Mr. John Zwaanstra. Save for the entering into of the Agreement, the Offeror has not conducted any other business since incorporation.

Mr. John Zwaanstra is a professional investor who has extensive experience in investment management and securities analysis. He is the founder of Penta Investment Advisers Limited which is the investment manager of a limited number of investment funds. He has over 10 years of experience in investment management with hedge fund groups responsible for investment portfolios with a primary focus in Asia.

The Offeror intends that the HKBLA Group will continue its existing principal activities and will maintain the listing status of HKBLA on the Main Board of the Stock Exchange after closing of the Offer. The Offeror will conduct a review of the business operations and financial position of the HKBLA Group after Completion with a view to formulating a business plan and strategy suitable for the HKBLA Group. Subject to the result of the review, the Offeror has no intention to re-deploy the employees or the fixed assets of the HKBLA Group other than in its ordinary course of business by reason only of the Offer.

PROPOSED CHANGE OF BOARD COMPOSITION OF HKBLA

The Offeror intends to nominate at least three persons as executive directors of HKBLA and the effective date of such appointment will be the date immediately after the offer document has been posted as required by the Takeovers Code. It is agreed that all the existing directors of HKBLA will resign after the close of the Offer. Further announcement will be made by HKBLA relating to the changes to the composition of the board of directors of HKBLA in due course.

MAINTAINING THE LISTING STATUS OF HKBLA

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to HKBLA, being 25% of the issued HKBLA Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the HKBLA Shares; or (ii) there are insufficient HKBLA Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the HKBLA Shares.

The Offeror intends to maintain the listing of the HKBLA Shares on the Main Board of the Stock Exchange after the close of the Offer. The directors of the Offeror and the new directors of HKBLA to be nominated by the Offeror and appointed to the board of directors of HKBLA will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the HKBLA Shares.

DEALING DISCLOSURE

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediates are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediates will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

Any associates of HKBLA, the Offeror and parties acting in concert with them are reminded to disclose their dealings in any securities of HKBLA.

GENERAL

Rule 8.2 of the Takeovers Code provides that an offer document should normally be posted by or on behalf of the Offeror within 21 days of the date of announcement of the offer. As the Offer is subject to Completion which is in turn subject to a number of conditions precedent which are not expected to be fulfilled within 21 days of the date of this announcement, an application will be made by the Offeror for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the offer document.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the acquisition by the Offeror of the Sale Share and the Shareholder's Loan pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement entered into among the Offeror, the Vendor and UAF in relation to the Acquisition
“Allied Group”	Allied Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 373)
“Allied Properties”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Main Board of the Stock Exchange, and a non wholly-owned subsidiary of Allied Group (stock code: 56)
“Completion”	completion of the Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“HKBLA”	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 of the Stock Exchange (stock code: 145)
“HKBLA Group”	HKBLA and its subsidiaries
“HKBLA Share(s)”	ordinary share(s) of HK\$1.0 each in the issued share capital of HKBLA
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China
“Island New”	Island New Finance Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor as at the date of the Agreement and this announcement
“Last Trading Day”	11 May 2007, being the last trading day of the HKBLA Shares prior to the suspension of trading on the Stock Exchange on 14 May 2007

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the unconditional mandatory cash offer to be made by Somerley on behalf of the Offeror for all the HKBLA Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offer Price”	the price at which the Offer will be made, i.e. at HK\$1.475 per HKBLA Share
“Offeror”	Mercurius Partners Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Mercurius Partners, LLP
“Sale Share”	one share of US\$1.0 in the capital of Island New, representing the entire issued share capital of Island New as at the date of the Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder’s Loan”	the shareholder’s loan advanced by the Vendor to Island New and outstanding as at the date of the Agreement and at Completion
“Shareholder(s)”	holder(s) of the HKBLA Share(s)
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Main Board of the Stock Exchange, and a non wholly-owned subsidiary of Allied Properties (stock code: 86)
“Somerley”	Somerley Limited, a licensed corporation under the SFO permitted to engage in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities thereunder and the financial adviser to the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“UAF”	United Asia Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of SHK
“Vendor”	Onspeed Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of UAF
“Vendor Group”	the Vendor, UAF, SHK, Allied Properties, Allied Group and their respective subsidiaries and holding companies

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

By Order of the board of directors of
Mercurius Partners Investments Limited
John Pridjian
Director

Hong Kong, 14 May 2007

As at the date of this announcement, the directors of the Offeror are Mr. John Zwaanstra and Mr. John Pridjian. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The information relating to the HKBLA Group and the Vendor Group contained in this announcement has been taken from the annual reports and accounts of HKBLA and members of the Vendor Group for the financial year ended 31 December 2006, from public announcements made by HKBLA and members of the Vendor Group, and the official website of the Stock Exchange. The only responsibility accepted by the directors of the Offeror in respect of information relating to the HKBLA Group and the Vendor Group is to ensure that it has been correctly and fairly reproduced or presented.

“Please also refer to the published version of this announcement in The Standard”