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ISLAND NEW FINANCE LIMITED
(Incorporated in the British Virgin Islands with limited liability)

**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)

JOINT ANNOUNCEMENT

RESTORATION OF PUBLIC FLOAT AND RESUMPTION OF TRADING

On 14th October, 2005, the Offeror entered into a legally-binding placing arrangement (on a fully underwritten basis), under which 39,070,000 Shares owned by the Offeror were agreed to be placed at the price of HK\$1.0933 per Share, through a placing agent, to independent third parties who are not connected with the Company, any of its subsidiaries or any of their respective associates, or any of the connected persons of the Company, any of its subsidiaries or any of their respective associates. None of such placees has, as a result of such placing arrangement, become a substantial shareholder of the Company.

On 19th October, 2005, the Offeror was advised that confirmations from placees have been received in respect of all the 39,070,000 Shares. Completion of the placing arrangement is conditional upon resumption of trading in the Shares on the Stock Exchange and will take place on the second business day (excluding Saturday) after such resumption. Following completion of the placing arrangement, the Offeror will become the beneficial owner of 168,748,788 Shares, representing approximately 74.999 per cent. of the issued share capital of the Company. Accordingly, 56,251,212 Shares, representing approximately 25.001 per cent. of the issued share capital of the Company will be held in public hands and the Company will be in compliance with the public float requirements under Rules 8.08 and 13.32 of the Listing Rules.

Shareholders and prospective investors are reminded to exercise extreme caution when trading in the securities of the Company.

Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 21st October, 2005.

Reference is made to the Offer Document issued by the Offeror on 14th September, 2005 and the joint announcement of the Offeror and the Company dated 13th October, 2005. Unless the context otherwise requires, terms used in this announcement have the same meanings as defined in the Offer Document.

It is stated in the joint announcement of the Offeror and the Company dated 13th October, 2005 that immediately following closing of the Offer, the Offeror has become interested in 207,818,788 Shares, representing approximately 92.36 per cent. of the issued share capital of the Company and only approximately 7.64 per cent. of the issued share capital of the Company remain held in public hands. Trading in the Shares has been suspended at the request of the Company with effect from 9:30 a.m. on 13th October, 2005 pending restoration of the public float as required under Rules 8.08 and 13.32 of the Listing Rules.

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A notice will be issued to the Shareholders not accepting the Offer on or before 12th November, 2005, calling them to decide whether or not they will exercise their rights to require the Offeror to acquire their Shares.

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The Stock Exchange has stated that if, among other things, the Stock Exchange believes that a false market exists or may exist in Shares or that there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in Shares.

RESUMPTION OF TRADING

Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 21st October, 2005.

DIRECTORS

As at the date of the announcement, the directors of the Offeror are Mr. Akihiro Nagahara, Mr. Li Kwong Yan and Mr. Stephen Lo Kam Fai.

As at the date of the announcement, the directors of the Company are:

Executive directors:

Mr. Akihiro Nagahara (Chairman), Mr. Stephen Lo Kam Fai (Chief Executive) and Mr. Edwin Lo King Yau

Independent non-executive directors:

Mr. Li Chak Hung, Mr. Chan Bo Ching and Mr. Yuen Wai Ho

By Order of the Board
Island New Finance Limited
Akihiro Nagahara
Director

By Order of the Board
The Hong Kong Building and Loan Agency Limited
Stephen Lo Kam Fai
Director

Hong Kong, 20th October, 2005

The directors of Island New Finance Limited 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 directors of The Hong Kong Building and Loan Agency Limited 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.