

Chairman's Statement

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Taking on more missions to serve the community.



Chan Mo-po, Paul
Chairman

In 2017, global economic conditions improved with a synchronous acceleration in growth across major economies worldwide. On the back of solid growth, the US Federal Reserve continued to proceed with interest rate hike gradually and began its balance sheet normalisation. The recovery momentum in the Eurozone became more entrenched and the European Central Bank also announced its plan in late 2017 to reduce its asset purchases starting from early 2018.

In Asia, the Mainland deepened the supply-side structural reform to promote economic upgrading and transformation, and the Chinese economy maintained strong growth momentum in 2017, staging the first pick-up in growth in seven years. This, alongside the strengthening global demand, bolstered regional trade flows in Asia. In Hong Kong, the economy benefitted from a broad-based global economic upturn and recorded above-trend economic expansion in the wake of solid domestic and external demands. In general, the residential property market of Hong Kong in 2017 remained buoyant amid the tight supply situation and low interest rate environment.

Purchase of Mortgage Assets

The Corporation purchased mortgage assets of about HK\$316 million in 2017 (2016: HK\$206 million) as ample liquidity in the banking system continued to dampen banks' appetite in offloading mortgage assets. In recognition of its pivotal role to reinforce banking and financial stability of Hong Kong, the Corporation stands ready to purchase mortgage loans from the banking sector should the need arise.

Supporting Home Ownership

The Mortgage Insurance Programme (**MIP**) is an integral part of the property mortgage market in Hong Kong. Since its inception in 1999, the MIP has been fostering wider home ownership in Hong Kong in the pursuit of the Corporation's core missions by making home purchase more affordable and accessible. The Corporation has thus far helped more than 133,000 families buy their own homes, testifying to the immense public popularity of the MIP. In 2017, demand for the MIP continued to increase and the total amount of mortgage loans drawn down under the MIP was HK\$32.3 billion (2016: HK\$24.6 billion).

Promoting Development of Debt Market

The Corporation has been playing a key role in promoting the development of the local debt market. It has remained a major and active corporate debt issuer in Hong Kong for more than a decade. In 2017, the Corporation issued debt securities in different currencies (with tenor of one year or above) totalling around HK\$17.9 billion to fulfil its refinancing needs and support its business activities. The Corporation also attained AA+ credit rating from Standard & Poor's and Aa2 rating from Moody's, same as those of the HKSAR Government.

Providing Elderly Home Owners with More Retirement Financing Options

The Corporation launched its Reverse Mortgage Programme (**RMP**) in 2011 to provide home owners with a new financial planning option to enhance their cash flow on retirement. The RMP was extended in October 2016 to cover subsidised sale flats with unpaid land premium under most of the subsidised housing schemes of the Hong Kong Housing Authority and of the Hong Kong Housing Society. While market response is positive, the Corporation continues to actively promote the RMP. The number of reverse mortgage drawdowns in 2017 was 747 (an increase of 92% from 2016), indicating increasing public acceptance of the RMP.

Continuing Support for Small and Medium Enterprises

Hong Kong is home to about 330,000 small and medium enterprises (**SMEs**), accounting for over 98 per cent of the total number of local enterprises. The HKSAR Government remains committed to supporting SMEs through the extension of the 80% guarantee product under the SME Financing Guarantee Scheme (**SFGS**) which the Corporation is entrusted to operate. The SFGS provides a useful platform to help SMEs obtain bank financing in order to grasp economic opportunities and boost their competitiveness. Further to the communication campaign that commenced in the second quarter of 2016, the Corporation continues to communicate closely with participating banks, SME associations as well as commerce and industry chambers to enhance public awareness and understanding of the SFGS. Having received valuable feedback from participating banks, the Corporation introduced additional refinements under the SFGS in 2017 with a view to facilitating a smooth transition for refinancing of SFGS loans, expediting the claim process and providing flexibility for reimbursement of recovery expenses. Participating banks responded positively to the efforts of the Corporation. As at the end of 2017, the 80% guarantee product recorded a total approved loan amount of HK\$51.2 billion involving 30 lending institutions, and the SFGS had benefitted more than 7,800 enterprises with more than 202,000 employees since its inception.

Facilitating Better Retirement Planning

In consideration of the rapidly ageing population of Hong Kong, the quality of living for the elderly after their retirement is one of the key policy focuses of the Government in 2017. To assist in addressing the increasing demand from the elderly for better retirement financing support, the Corporation conducted a feasibility study to introduce an annuity scheme as an additional retirement planning option. Based on the study findings, the Corporation announced in April 2017 that it would introduce the Life Annuity Scheme (**LAS**). It is anticipated that the LAS will help the elderly turn their lump sum cash into a life-long stream of fixed monthly income. Since the public announcement, response to the LAS has been overwhelmingly positive. The Corporation is proceeding full steam ahead on the relevant preparatory work, such as seeking authorization by the Insurance Authority to carry on long-term insurance business and the related corporate restructuring, and developing an effective sales and distribution network with an aim to launching the LAS in the middle of 2018. The target issue amount for the first tranche of the LAS is HK\$10 billion. Depending on public response, the Corporation will actively consider increasing the issuance size.

Performance in 2017

Profit attributable to shareholders amounted to HK\$806 million (2016: HK\$604 million), and the return on shareholders' equity was 8.6% (2016: 6.8%) with capital adequacy ratio at 21.0% (2016: 21.3%).

Outlook for 2018

Looking ahead, the global economy remains on an upward trend but is still subject to a number of uncertainties, including the impact and pace of monetary policy normalisation by the US Federal Reserve (and possibly by other major central banks), policy risk of major economies, capital flows that might be triggered by the US tax reform as well as geopolitical tensions. Thus, amid the ever-changing financial climate, the Hong Kong financial and asset markets are subject to risk of fluctuations.

The Corporation is gradually developing into a multi-faceted and well-structured HKMC Group of companies offering a wider range of solutions in promoting home ownership and facilitating retirement planning. The Corporation will continue to conduct its businesses prudently and deliver on its core missions.

Finally, I would like to express my heartfelt gratitude to fellow Board Directors, the Management and staff for their dedicated work and tremendous support.



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Chairman