THE HONG KONG MORTGAGE CORPORATION LIMITED

Bauhinia MBS Limited
HK$2,000,000,000 Series 2002-1 Mortgage-Backed Securities
Guaranteed by The Hong Kong Mortgage Corporation Limited

Signing Ceremony, 11 March 2002

Speech by
Tony Latter, Executive Director, HKMC

On behalf of the Hong Kong Mortgage Corporation, I would like to welcome you all to this ceremony to mark the successful completion of the debut issue under what is known as the Bauhinia MBS Programme.

The Programme itself is a multicurrency programme, allowing for prospective aggregate issuance of US$3 billion of mortgage-backed securities. We marked the successful negotiation of the overall programme at a ceremony similar to this one in December. Thus there is no need for me to rehearse all of the details today.

I would like to note, however, that today's signing, with an issue size of HK$2 billion, represents the largest Hong Kong dollar denominated MBS ever issued. It is also the first issue to offer investors the choice between a prime-based and a HIBOR-based coupon.

I am proud of the pioneering role which the HKMC has been taking in the development of our MBS market. This provides opportunities for banks, wishing to better manage or to offload their mortgage portfolios. It creates a new avenue of investment for fund managers and other investors. It indirectly benefits home-buyers, by prospectively facilitating the supply of mortgage finance. And it contributes generally to the development of the debt market in Hong Kong.

We have been encouraged by the enthusiastic response to this issue. The book-building exercise, conducted by the syndicate group led by Merrill Lynch International, has identified active demand well in excess of HK$2 billion from a diversified group of investors. They include not only banks, but also institutions such as insurance companies and pension and investment fund managers. The participation of these latter groups is especially welcome as a sign of the potential breadth of the investor base for good quality Hong Kong dollar debt securities. Meanwhile, secondary market liquidity will be greatly aided by the commitments which have been given to make a market for the issue.

I should like to take this opportunity to thank Merrill Lynch International, the lead manager and book-runner of this debut issue, for marketing it so effectively. I would also wish to thank the co-lead managers, Bank of China (Hong Kong), Bank of East Asia, Deutsche Securities, HSBC and JPMorgan Securities (Asia Pacific), and the co-managers, International Bank of Asia and Wing Lung Bank, for their staunch support. The HKMC team has enjoyed working with all of you towards this successful result, and we look forward to your continuing active participation in future HKMC issues.