Press Release

The Hong Kong Mortgage Corporation Limited

HK$3,000,000,000 Series 2003-1 Mortgage Backed Securities due 2024 issued under the Bauhinia MBS Limited US$3 Billion Mortgage-Backed Securitisation Programme

The Hong Kong Mortgage Corporation Limited ("HKMC") is pleased to announce today (30 October) the successful conclusion of the second series of MBS issued under the Bauhinia MBS Limited US$3 Billion Mortgage-Backed Securitisation Programme (the "Programme"). Bauhinia MBS Limited is a bankruptcy-remote special purpose company formed by the HKMC to act as the vehicle for issuance of MBS under the Programme. The event was marked by a signing ceremony held today.

This HK$3 billion Issue (Series 2003-1) was well received by the market. It offered an innovative MBS structure that enabled the HKMC to access a wider spectrum of investors, including institutional investors, fund managers and commercial banks. It sets a new record of being the largest-ever Hong Kong dollar denominated residential MBS transaction after the successful debut issue completed in March 2002.

The Issue is collateralized by a pool of HKMC's high-quality residential mortgages. It is divided into three classes of MBS of HK$1 billion each. MBS in Class A-1 ("Soft Bullet MBS"), which will be insulated from repayment and prepayment of the underlying mortgage pool in the first three years, cater specifically for investors who prefer a stable return on their investment. At the end of the third year, investors will have the option to put the Class A-1 MBS back to the issuer. MBS in Classes A-2 and A-3 ("Fast Pay MBS"), which will absorb all the repayment and prepayment of the underlying mortgage pool in the first three years, cater for investors who are prepared to take a higher prepayment exposure in return for a higher investment yield. While the MBS in Class A-2 are offered to general institutional investors, the MBS in Class A-3 have been taken up by an asset-backed commercial paper conduit which will in turn issue asset-backed commercial paper to fund the acquisition. Through this arrangement, the Class A-3 Notes have enabled the HKMC to access a broad range of investors in the highly sophisticated and liquid asset-backed commercial paper market.

All the three classes of MBS carry HKMC's guarantee on the principal and interest payments, therefore they will be qualified for 20% capital risk weighting under the Hong Kong Banking Ordinance. The MBS issue will be cleared through the Central Moneymarkets Unit ("CMU") operated by the HKMA. A summary of the structure and key terms of the Issue, and characteristics of the underlying mortgage pool are provided in the Annexes.

Mr. Joseph Yam, Deputy Chairman of the HKMC, said, "the HKMC is committed to developing a deep and liquid MBS market in Hong Kong as an effective means for enhancing the availability of competitive mortgage finance in Hong Kong for home buyers. The success of this initiative will also benefit both the financial market and the future development of the HKMC as a major financial institution."

Mr. Peter Pang, Chief Executive Officer of the HKMC, said, "With the backing of a sizeable portfolio and the substantial acquisitions lined up for 2004, the HKMC intends to make good use of its two MBS Programmes to step up its securitisation activities."

Mr. Tony Rademeyer, Head of Corporate, Investment Banking and Markets, HSBC, said, "HSBC is honoured to have lead managed this landmark securitisation transaction. The structure of the deal is sophisticated and innovative which enables access to a broad investor base; and builds on the success of the HKMC's first MBS issue last year. This is in line with HSBC and HKMC's common goal of promoting the development of the Hong Kong capital markets."

This issue is lead-managed by HSBC, acting as sole Bookrunner, in collaboration with the Senior Co-lead Managers, Bank of China, Bank of Communications, Bank of East Asia, International Bank of Asia, Mitsubishi Securities (HK) and Co-lead Manager, BNP Paribas. Payment date of the issue is fixed on 4 November 2003.

The Hong Kong Mortgage Corporation Limited
30 October 2003

Annex A

The Hong Kong Mortgage Corporation Limited

Bauhinia MBS Limited
HK$3,000,000,000 Series 2003-1 Mortgage-Backed Securities due November 2024 issued under US$3 Billion Mortgage-Backed Securitisation Programme

Summary of Terms and Conditions

Issuer	:	Bauhinia MBS Limited
Issue Series	:	Series 2003-1
Issue Type	:	Guaranteed Mortgage-backed Floating-Rate Notes
Collaterals	:	Mortgage loans secured by the first legal charge over residential properties in Hong Kong, originated by Authorized Institutions in Hong Kong (the "Mortgages")
Seller and Master Servicer of Mortgages	:	The Hong Kong Mortgage Corporation Limited ("HKMC")
Issue Size	:	HK$3,000,000,000 in total dividing into: Class A-1 Notes HK$1,000,000,000 Class A-2 Notes HK$1,000,000,000 Class A-3 Notes HK$1,000,000,000
Issue price	:	Par (100.00%).
Interest Rate	:	Class A-1 Notes 1-month HIBOR + 0.12% p.a. Class A-2 Notes 1-month HIBOR + 0.18% p.a. Class A-3 Notes 1-month HIBOR + 0.18% p.a.
Guarantor	:	The Hong Kong Mortgage Corporation Limited
Guarantor's Local Currency Ratings	:	Moody's: Aa3 Standard & Poor's: AA-
Guarantee	:	Class A-1, Class A-2 and Class A-3 Notes will be guaranteed by the Guarantor (HKMC) for the payment of MBS interest and principal when contractually due.

Notes Ranking	:	The Class A-1 Notes, Class A-2 and Class A-3 Notes rank pari passu for payments of monthly interest and principal.
Principal	:	Prior to the third anniversary of the Issue Date, principal will be paid to the holders of Class A-2 Notes and Class A-3 Notes on a pari passu basis and the holders of the Class A-1 Notes shall not be entitled to receive any principal. After the third anniversary of the Issue Date, the Class A-1 Notes, Class A-2 Notes and Class A-3 Notes will rank pari passu for payments of principal.
Issue Date	:	4 November 2003
Legal Maturity	:	21 years. Class A-1, Class A-2 and Class A-3 Notes will mature on the MBS Payment Date falling in November 2024 unless previously redeemed in full.
Issuer's 10% Clean-Up Call	:	The Issuer may fully redeem the outstanding Class A-1 Notes, Class A-2 Notes and Class A-3 Notes on any monthly MBS Payment Date after the third anniversary of the Issue Date on which the outstanding mortgage pool balance is 10% or less than the initial mortgage pool amount.
Investor Put	:	Holder of Class A-1 Notes may require the Issuer to purchase all or part of the Notes after the third anniversary of the Issue Date at the price equal to the principal amount outstanding and accrued interest.
Issuer's Call	:	The Issuer may purchase all (but not part only) of the Class A-1 Notes on the third anniversary of the Issue Date at the principal amount outstanding plus accrued interest.
Expected Weighted Average Maturity	:	3.14 years for the whole series. Taking into consideration of scheduled monthly mortgage repayments, unscheduled full and/or partial mortgage prepayments, and the Issuer's 10% Clean-Up Call.

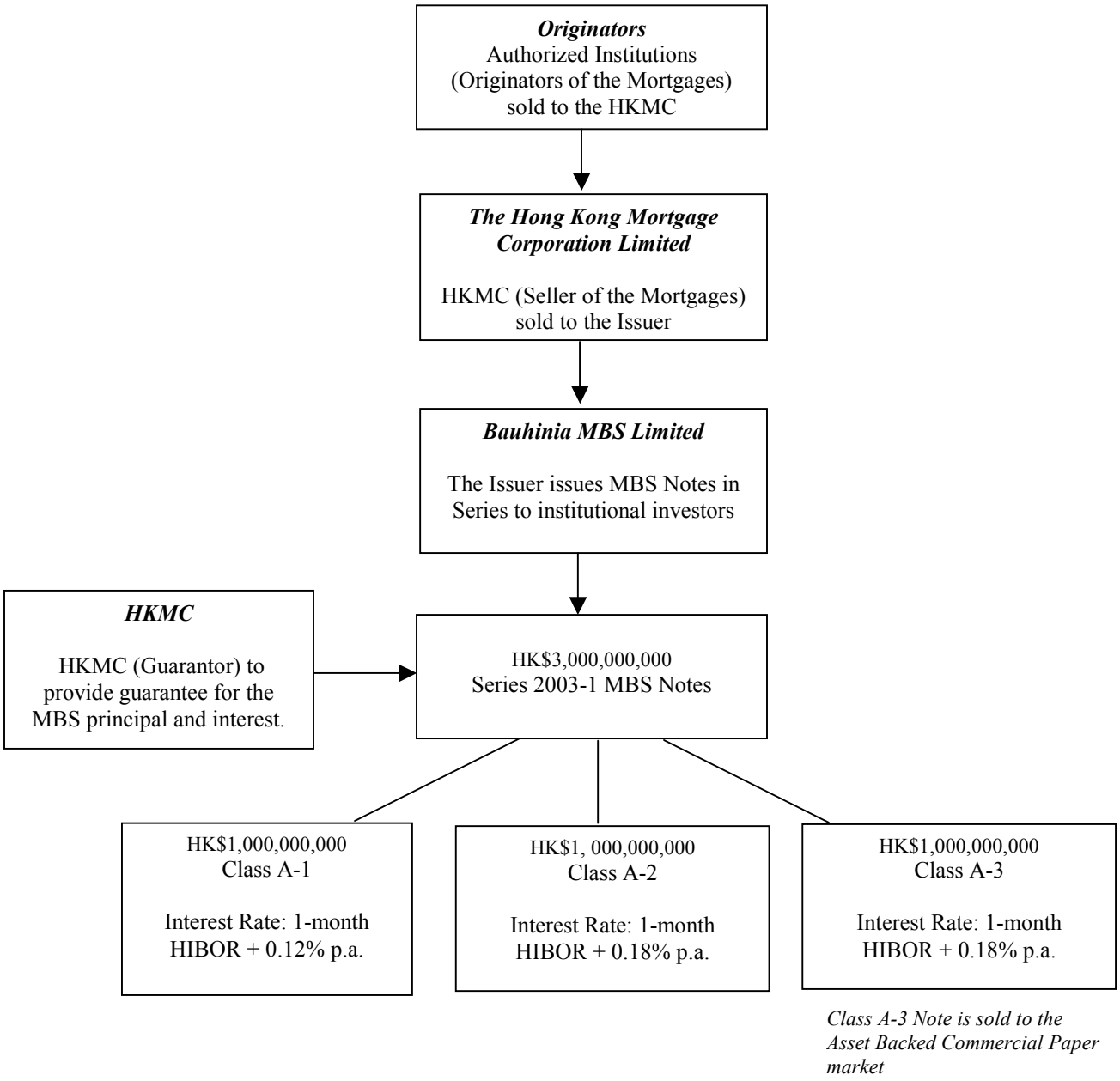
Expected Actual Final Maturity	:	6.17 years. Taking into consideration of scheduled and unscheduled monthly mortgage repayments, and the Issuer's 10% Clean-Up Call.
Lead Manager and Bookrunner	:	HSBC
Senior Co-lead Managers	:	Bank of China Bank of Communications Hong Kong Branch The Bank of East Asia, Limited International Bank of Asia Mitsubishi Securities (HK), Limited
Co-lead Manager	:	BNP Paribas
Market Maker	:	HSBC
Notes & Security Trustees	:	DB Trustees (Hong Kong) Limited
Paying Agent	:	Deutsche Bank AG, Hong Kong Branch
Clearing / Settlement	:	Central Moneymarkets Unit (CMU)

Annex B

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Bauhinia MBS Limited
HK$3,000,000,000 Series 2003-1 Mortgage Backed Securities due November 2024 issued under US$3 Billion Mortgage-Backed Securitisation Programme

Structure



Class A-3 Note is sold to the Asset Backed Commercial Paper market

Annex C

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Major Characteristics of the Underlying Mortgage Pool

	Provisional Pool Information
Number of Mortgages	2,520
Aggregate Outstanding Principal Balance	HK$3,028,834,944
Average Outstanding Principal Balance	HK$1,201,919
Maximum Outstanding Principal Balance	HK$4,751,601
Minimum Outstanding Principal Balance	HK$200,435
Maximum remaining term to maturity (in months)	240
Minimum remaining term to maturity (in months)	60
Weighted average original term to maturity (in months)	234
Weighted average remaining term to maturity (in months)	154
Weighted average original loan to value ratio	64.98%
Percentage of Mortgages that bear interest based on Prime	100%
Weight average current margin for Mortgages that bear interest based on Prime	Prime-1.22%