Press Release

The Hong Kong Mortgage Corporation Limited

HK$2,000,000,000 Mortgage-Backed Securities
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 (Tuesday) the launch of a new series of mortgage-backed securities (MBS) under the Bauhinia MBS Limited US$3 Billion Mortgage-Backed Securitisation Programme (the "Programme"). The event was marked by a signing ceremony held today.

Bauhinia MBS Limited is a bankruptcy-remote special purpose company established to act under the Programme as the issuing vehicle of MBS for HKMC's mortgage portfolio. This new MBS issue has a size of HK$2 billion (the "Issue") with guarantee of the payment of principal and interest by the HKMC. The Issue consists of two categories: the "Professional Notes" for institutional investors and the "Retail Notes" for retail investors. Both types of notes under the Issue are backed by and secured over certain underlying mortgage loans purchased by the HKMC from the Hong Kong Housing Authority over the past two years. That is, in addition to the HKMC's guarantee, holders of the notes can also turn to the underlying mortgage loans for payment of principal and interest.

The category of Professional Notes comprises two tranches (Class A-1 and Class A-2), whereas the category of Retail Notes comprises three tranches (Class A, Class B and Class C). The Class A-1 notes carry a fixed rate coupon of 3.60% without prepayment of the notes for the first four years, and then scheduled repayment of the notes over the fifth and sixth years. This is the first time in Hong Kong that an MBS is structured with fixed rates without repayment of principal for the first few years. Class A-1 notes cater for institutional investors who prefer a stable investment return. Class A-2 notes carry a floating rate coupon of 1-month HIBOR + 0.18%. It has a fast pay feature as it will, in the first six years, absorb all the excess repayment and prepayment of the whole of the underlying mortgage pool for the Issue. It caters for institutional investors who are prepared to take a higher prepayment risk in return for a higher investment yield. Both Class A-1 and Class A-2 notes were well received by pension funds, investment funds, insurance companies and banks.

The three tranches of the Retail Notes will be placed to retail investors through 19 Placing Banks. These notes are structured to carry fixed rate coupons of 1.70%, 2.65% and 3.05%, corresponding to their straight maturity of 1, 3 and 4 years. Retail investors holding these notes will not take the prepayment risk arising from the early and unscheduled prepayment of the underlying mortgage loans.

All five classes of the Professional and Retail Notes are expected to have credit ratings of AA- from Standard & Poor's and Aa3 from Moody's. As all the notes under the Issue are guaranteed by the HKMC, they will qualify for 20% risk weighting under the Hong Kong Banking Ordinance. The Issue will be cleared through the Central Moneymarkets Unit operated by the Hong Kong Monetary Authority. A summary of the key terms and conditions, Issue structure and the characteristics of the underlying mortgage loans are provided in Annexes 1, 2 and 3 respectively.

The 19 Placing Banks will employ over 900 designated branches for handling applications made in person. In addition, the majority of the banks will facilitate applications through their telephone and Internet banking facilities. The Placing Banks have committed to quoting firm bid prices to retail investors, thereby ensuring opportunities for retail investors to liquidate their holdings. The Placing Banks will also, on best efforts basis, offer prices to retail investors throughout the life of the notes.

A retail investor may subscribe for one or more classes of the Retail Notes. The subscription prices will be determined on 3 November 2004 by reference to the relevant Exchange Fund Bills and Notes as specified in the Prospectus.

The offer period for the Retail Notes will commence at 9:00 a.m. on 20 October 2004 (Wednesday) and close at 2:00 p.m. on 29 October 2004 (Friday) (Annex 4). Any retail investor wishing to subscribe for the Retail Notes needs to have a bank account and an investment account with one of the Placing Banks. The subscription money will only be deducted from the applicant's account on the closing date on 29 October 2004.

Retail investors interested in subscribing for the Retail Notes can obtain the Prospectus from the designated branches of the 19 Placing Banks (Annex 5) or the office of the HKMC. Investors may also access the website of the HKMC (www.hkmc.com.hk) for details of the Issue. Retail investors are advised to make early application to avoid congestion nearer the closing date of the offer period.

Mr Joseph Yam, Deputy Chairman of the HKMC said, "Following its pioneering effort in November 2001 to issue retail Hong Kong dollar bonds through placing banks, the HKMC has taken another big step to organise this Issue to allow subscription by retail investors. This Issue is the first retail MBS in the whole of Asia. I believe this Issue will make a significant contribution to the development of a more efficient and mature secondary mortgage market as well as galvanising the further growth of the MBS market in Hong Kong."

Mr James H Lau Jr, Chief Executive Officer of the HKMC added, "We are very glad that this issue of mortgage-backed securities by the HKMC will introduce yet another investment product to retail investors. There are good indications that the Issue will be welcome by a wide range of institutional investors as well as retail investors. This reinforces our strategy to issue MBS to diversify the Corporation's funding sources."

Mr Raymond Or, General Manager of The Hongkong and Shanghai Banking Corporation Limited said, "HSBC is pleased to be entrusted by the HKMC for another ground-breaking securitisation. The leading roles played by the HKMC and HSBC, in particular over the past 12 months, have been instrumental in the further development of the securitisation markets in Hong Kong and Asia."

The HKMC appointed HSBC as the Arranger of the Issue and the Sole Bookrunner for the Professional Notes. The HKMC also appointed HSBC and Standard Chartered Bank (Hong Kong) Limited as Joint Underwriters for the Retail Notes. Banks in the Management Group for the Professional Notes are HSBC, Bank of China (Hong Kong) Limited, Citicorp International Limited, International Bank of Asia Limited, Mitsubishi Securities (HK), Limited and Nanyang Commercial Bank, Limited. The 19 banks in the Placing Bank Group for the Retail Notes are HSBC, Standard Chartered Bank (Hong Kong) Limited, Bank of America (Asia), Bank of China (Hong Kong), Citibank, CITIC Ka Wah Bank, Bank of Communications, Bank of East Asia, Chiyu Bank, Dah Sing Bank, DBS Bank, Hang Seng Bank, ICBC (Asia), International Bank of Asia, Liu Chong Hing Bank, Nanyang Commercial Bank, Shanghai Commercial Bank, Wing Hang Bank and Wing Lung Bank. Payment date of all classes of the Issue is 5 November 2004.

The Hong Kong Mortgage Corporation Limited
19 October 2004

Annex 1

The Hong Kong Mortgage Corporation Limited

Bauhinia MBS Limited
HK$2,000,000,000 Mortgage-Backed Securities
issued under US$3 Billion Mortgage-Backed Securitisation Programme

Summary of Terms and Conditions

Issuer	:	Bauhinia MBS Limited
Issue Series	:	Series 2004-2
Issue Type	:	Guaranteed Mortgage-backed Fixed and Floating Rate Notes
Collaterals	:	Mortgage loans secured by the first legal charge over certain residential properties purchased by the Hong Kong Mortgage Corporation from the Hong Kong Housing Authority (the "Mortgages")
Seller and Master Servicer of Mortgages	:	The Hong Kong Mortgage Corporation Limited (HKMC)
Issue Size	:	HK$2,000,000,000 in total divided into: Professional Notes: Class A-1 Notes HK$450,000,000 Class A-2 Notes HK$650,000,000 Retail Notes: Class A Notes HK$250,000,000 Class B Notes HK$400,000,000 Class C Notes HK$250,000,000
Issue price / Annualised yield	:	Professional Notes: Class A-1 Notes Par (100.00%) Class A-2 Notes Par (100.00%) Retail Notes: Class A Notes EFB Y495 yield fixing + 0.08% Class B Notes EFN 5712 yield fixing + 0.15% Class C Notes EFN 5809 yield fixing + 0.30%

Interest Rate	:	<u>Professional Notes:</u> Class A-1 Notes 3.60% p.a., payable quarterly Class A-2 Notes 1-month HIBOR + 0.18% p.a., payable monthly <u>Retail Notes:</u> Class A Notes 1.70% p.a., payable semi-annually Class B Notes 2.65% p.a., payable semi-annually Class C Notes 3.05% p.a., payable semi-annually
Notes Rating	:	Moody's: Aa3 Standard & Poor's: AA-
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, Class A, Class B and Class C Notes will be guaranteed by the Guarantor (HKMC) for the payment of MBS interest and principal when contractually due.
Notes Ranking	:	Class A-1, Class A-2, Class A, Class B and Class C Notes rank pari passu for payments of interest and principal.
Principal Repayment	:	Principal will be repaid to the holders of Class A, Class B, Class C Notes on the first, third and fourth anniversary of the Issue Date respectively. Principal will be repaid to the holders of Class A-1 Notes from the fifth to sixth anniversary of the Issue Date semi-annually. Any excess principal repayment from the mortgage loans will be used to repay the holders of Class A-2 Notes.
Issue Date	:	5 November 2004

Legal Maturity	:	<u>Professional Notes:</u> Class A-1 Notes — 6 years Class A-2 Notes — 10 years. Class A-2 notes will mature on the 10th anniversary of the Issue Date unless previously redeemed in full. <u>Retail Notes:</u> Class A Notes — 1 year Class B Notes — 3 years Class C Notes — 4 years
Issuer's Clean-Up Call	:	The Issuer may fully redeem the outstanding Class A-2 Notes on any monthly MBS Payment Date on the earlier occurrence of either the following events: (i) when the outstanding mortgage pool balance is 10% or less than the initial mortgage pool amount or (ii) the 7th anniversary of the Issue Date.
Estimated Weighted Average Maturity	:	5.25 years for Class A-1 Notes 4.8 years for Class A-2 Notes, taking due consideration of scheduled monthly mortgage repayments, unscheduled full and/or partial mortgage prepayments, and the Issuer's Clean-Up Call.
Arranger	:	HSBC
Lead Manager and Sole Bookrunner for Professional Notes	:	HSBC
Co-lead Managers for the Class A-2 Notes	:	Bank of China (Hong Kong) Limited Citicorp International Limited International Bank of Asia Limited Mitsubishi Securities (HK), Limited Nanyang Commercial Bank, Limited
Market Maker for Professional Notes	:	HSBC
Joint Underwriters for Retail Notes	:	HSBC and Standard Chartered Bank (Hong Kong) Limited

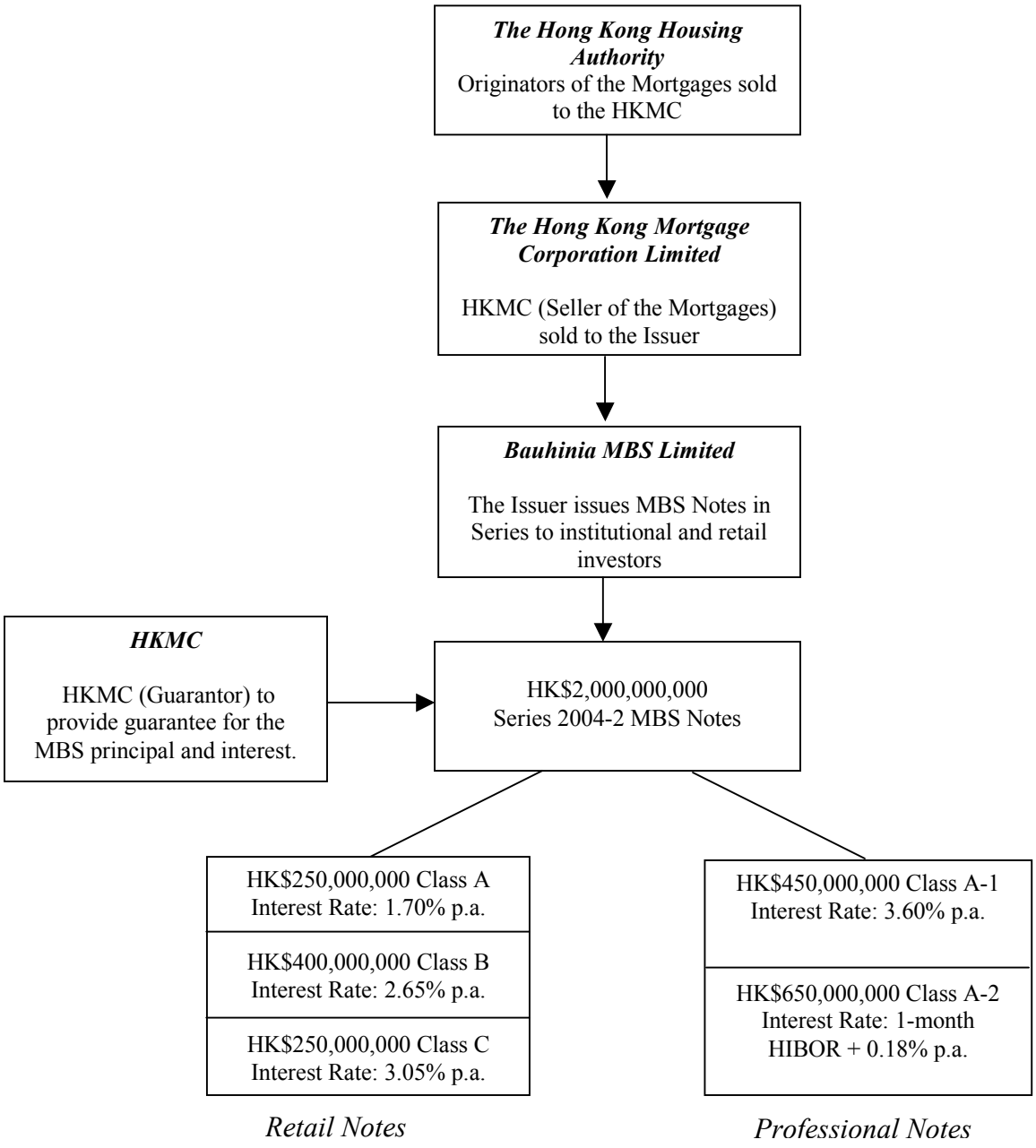
Placing Banks for Retail Notes	:	Bank of America (Asia) Bank of China (Hong Kong) Bank of Communications Bank of East Asia Chiyu Bank Citibank CITIC Ka Wah Bank Dah Sing Bank DBS Bank Hang Seng Bank HSBC ICBC (Asia) International Bank of Asia Liu Chong Hing Bank Nanyang Commercial Bank Shanghai Commercial Bank Standard Chartered Bank (Hong Kong) Limited Wing Hang Bank Wing Lung Bank
Notes & Security Trustees	:	DB Trustees (Hong Kong) Limited
Principal Paying Agent	:	Deutsche Bank AG, Hong Kong Branch
Clearing / Settlement	:	Central Moneymarkets Unit (CMU)

Annex 2

The Hong Kong Mortgage Corporation Limited

Bauhinia MBS Limited
HK$2,000,000,000 Mortgage Backed Securities
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Issue Structure



Annex 3

The Hong Kong Mortgage Corporation Limited

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Major Characteristics of the Underlying Mortgage Pool

	Provisional Pool Information
Number of Mortgages	4,373
Aggregate Outstanding Principal Balance	HK$ 2,099,354,719
Average Outstanding Principal Balance	HK$ 480,072
Maximum Outstanding Principal Balance	HK$ 585,474
Minimum Outstanding Principal Balance	HK$ 116,099
Maximum remaining term to maturity (in months)	102
Minimum remaining term to maturity (in months)	90
Weighted average original term to maturity (in months)	157
Weighted average remaining term to maturity (in months)	96

Annex 4

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Retail Notes Issuing Timetable

Commencement Date for application	:	20 October 2004 (Wednesday), 9:00 a.m.
Closing Date for application	:	29 October 2004 (Friday), 2:00 p.m.
Price-fixing Date	:	3 November 2004 (Wednesday) at or around 11:30 a.m.
Issue Date	:	5 November 2004 (Friday)

Annex 5

The Hong Kong Mortgage Corporation Limited

Designated Branches of the Placing Banks for Handling the Applications for HKMC's Retail Mortgage-Backed Securities

Enquiry Hotlines

The list of designated branches of Placing Banks can be obtained through their enquiry hotlines.

Enquiry Hotlines

Bank of America (Asia)	2805-2383
Bank of China (Hong Kong)	2291-8000
Bank of Communications	2269-9699
Bank of East Asia	2211-1311
Chiyu Bank	2232-3625
Citibank	2860-0222
CITIC Ka Wah Bank	2287-6767
Dah Sing Bank	2828-8000
DBS Bank	2290-8888
Hang Seng Bank	2998-9898
HSBC	2269-2121
ICBC (Asia)	2887-0349
International Bank of Asia	2566-8181
Liu Chong Hing Bank	2161-6888
Nanyang Commercial Bank	2622-2633
Shanghai Commercial Bank	2818-0282
Standard Chartered Bank (Hong Kong)	2886-8868
Wing Hang Bank	3199-9182
Wing Lung Bank	2526-5555