Press Release

The Hong Kong Mortgage Corporation Limited

Launch of HK$20 Billion Retail Bond Issuance Programme and Inaugural Issue under the Programme

The Hong Kong Mortgage Corporation Limited (HKMC) is pleased to announce today (Monday) the launch of its HK$20 billion Retail Bond Issuance Programme (Programme) and the inaugural issue under the Programme that will be placed to investors through 19 Placing Banks.

Under the Programme, the HKMC has appointed 19 banks as Placing Banks to distribute its debt securities to retail investors. They also perform the role of market makers for the bonds to facilitate transactions in the secondary market. This offering mechanism, which was introduced by the HKMC in 2001 on a pilot basis, has proved to be highly effective in marketing bonds to retail investors. So far, 25 issuers have adopted this mechanism and raised over HK$43 billion through some 195 issues of retail bonds and certificate of deposits, including 6 issues by the HKMC that have raised over HK$8.6 billion.

The HKMC has taken the opportunity to introduce some major refinements to the prospectuses to make them more user-friendly and a more effective tool for marketing retail bonds to retail investors. To facilitate investors' understanding of the bonds on offer, a 6-page Issue Prospectus is separated from the Programme Prospectus to set out the key terms of the bonds being offered. In addition, a 1-page extract of the Issue Prospectus will be available as a marketing pamphlet (Annex 1). Both Prospectuses are drafted in plain language and, where appropriate, in a question-and-answer format to facilitate easy reading by investors. The compact size of the documents and the arrangement of updating the Programme Prospectus on an annual basis instead of for every issue, will help significantly to reduce the expenses and time for their preparation.

The HKMC today signed the Programme Agreement and the Placing Bank Agreement with 19 Placing Banks, namely, 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, HSBC, ICBC (Asia), International Bank of Asia, Liu Chong Hing Bank, Nanyang Commercial Bank, Shanghai Commercial Bank, Standard Chartered Bank, Wing Hang Bank and Wing Lung Bank. The HKMC has also entered into an Underwriting Agreement with Bank of China (Hong Kong), Bank of East Asia and HSBC for an underwriting amount of HK$600 million in respect of the 4-year notes of the inaugural issue drawn under the Programme.

HKMC retail bonds provide investors with an additional investment product to achieve a balanced investment portfolio, stable interest income and an enhanced return over bank deposits. Key features of the inaugural issue that will bring additional benefits to retail investors are as follows:

(a) Enlarged Placing Bank network: to reach out effectively to retail investors, the number of Placing Banks will be increased from 14 to 19 for this new issue. The Placing Banks have over 860 designated bank branches for handling subscriptions. In addition, retail investors can make use of the phone and/or Internet banking facilities of some Placing Banks to subscribe for the bonds.

(b) Choices on tenor and return: the new issue will be divided into three series to give retail investors choices in bond products for portfolio diversification and return enhancement. The HKMC will launch fixed rate bonds of 2-year maturity, 3-year maturity and 4-year maturity.

(c) Established market making arrangement: the 19 Placing Banks have committed to quoting firm bid prices for the retail bonds during business hours until the maturity dates of the bonds. This will ensure that retail investors can efficiently liquidate their holdings. To facilitate the Placing Banks to quote offer prices, the amount to be available to support secondary market making activities is 30% of the initial issued amount. The Placing Banks have also committed to quoting firm offer prices until the reserve amount is exhausted and will continue to do so on a best efforts basis afterwards.

The coupons of the three series are as follows.

Tenor	Coupon per annum (payable semi-annually)
2-year	2.50%
3-year	3.15%
4-year	3.55%

An investor may subscribe for one or more of the above series. The actual subscription price for each series of the Notes will be determined by reference to the relevant Exchange Fund Notes as specified in the Issue Prospectus. The offering mechanism is explained in the Technical Brief at Annex 2.

The offer period will commence at 9:00 a.m. on 25 May 2004 (Tuesday) and end at 2:00 p.m. on 3 June 2004 (Thursday). The timetable for the issue is set out in Annex 3. As applicants need to have a bank account and an investment account with any one of the Placing Banks they intend to instruct, they are encouraged to submit applications early and not to wait until the closing date of the offer period. The subscription money will only be deducted from the applicant's account on the closing date.

Retail investors who are interested in subscribing for the bonds can obtain the Programme Prospectus and the Issue Prospectus from the designated branches of the 19 Placing Banks (Annex 4) and the office of the HKMC. Investors may also access the website of the HKMC (www.hkmc.com.hk) for details of the issue.

Mr Norman Chan, Executive Director of the HKMC, said, " On the back of the excellent track record of the offering mechanism of issuing bonds through Placing Banks, we are confident that the HK$20 billion Retail Bond Issuance Programme will provide an effective platform for the HKMC to tap funds from the retail market. We also hope that the new prospectuses pioneered by the HKMC will set a new standard and useful benchmark for other issuers of retail bonds."

The Hong Kong Mortgage Corporation Limited
24 May 2004

Annex 1

The Hong Kong Mortgage Corporation Limited

wholly-owned by the Hong Kong SAR Government

Our corporate HKD long-term credit ratings are AA - (S & P) and Aa3 (Moody's)

Retail Bond Issue



OPEN FOR SUBSCRIPTION NOW

Subscription period: 25 May 2004 to 3 June 2004 **Minimum denomination: HK$50,000**

Prospectuses are available from the following Placing Banks or on our website: www.hkmc.com.hk

Bank of America 美國銀行	中國銀行(香港) BANK OF CHINA	交通銀行香港分行 BANK OF COMMUNICATIONS	BEA東亞銀行	集友銀行	citibank	中信嘉華銀行 CITIC KA WAH BANK
☎ 2805 2383	☎ 2291 8000	☎ 2269 9699	☎ 2211 1311	☎ 2232 3633	☎ 2860 0222	☎ 2287 6767
大新銀行 Dah Sing Bank	星展銀行 DBS	恒生銀行	HSBC 滙豐	中國工商銀行(亞洲) ICBC (Asia)	iBA 港基銀行	
☎ 2828 8000	☎ 2290 8888	☎ 2998 9898	☎ 2269 2121	☎ 2887 0349	☎ 2566 8181	
廖創興銀行 LIU CHONG HING BANK	南洋商業銀行 NANYANG COMMERCIAL BANK	上海商業銀行 SHANGHAI COMMERCIAL BANK	Standard Chartered 渣打銀行	永亨銀行	永隆銀行 WING LUNG BANK	
☎ 2161 6888	☎ 2622 2633	☎ 2818 0282	☎ 2886 8868	☎ 3199 9188	☎ 2526 5555	

This leaflet is an extract from our issue prospectus dated 24 May 2004.Our directors have authorised its issue and are responsible for it. You must read our issue prospectus and our programme prospectus both dated 24 May 2004 before deciding whether to buy any of our Notes :our prospectus contain important information about us and our Notes which we have not attempted to summarise here. Ask any of the Placing Banks selling our Notes for a copy of our prospectuses. This is not a prospectus nor an offer or invitation. Applications for Notes will only be taken on the basis of our prospectuses.

WE ARE OFFERING THREE SERIES OF NOTES

Series Issue number	Series A HKMC 205 2.50% Notes due 2006	Series B HKMC 310 3.15% Notes due 2007	Series C HKMC 401 3.55% Notes due 2008
Offer period	**9 a.m. on 25 May 2004 to 2 p.m. on 3 June 2004**		
Interest rate (coupon)	**2.50% per annum**	**3.15% per annum**	**3.55% per annum**
	This is the percentage rate per annum we pay on the Notes as interest.		
Issue date	**9 June 2004**	**9 June 2004**	**9 June 2004**
	We may decide to close the offer early, or allow more time, without prior notice. We reserve the right to cancel the offer at any time on or before the scheduled issue date.		
Application Price	**102%**	**102%**	**102%**
	When you place your order you pay 102% of the principal amount of Notes you order plus a handling fee. If the subscription price is less than this, your bank will refund the difference to you without interest within 5 business days from the issue date. If the subscription price is more than this, you will have to pay the difference to your bank.		
Subscription Price	**To be fixed by us (after the offer closes) on 7 June 2004.**		
	The subscription price is the price you pay us for your Notes. It represents the actual amount of your investment in the Notes. We will fix the subscription price at an amount which means the annualised yield to maturity on your investment will be equal to the yield on an Exchange Fund Note (EFN) of similar maturity plus a specified margin. The EFN yield will be as quoted by the Hong Kong Monetary Authority on Reuters page 0#HKEFBN = MIDF at about 11.30am on 7 June 2004.		
Handling fee	**0.15%**	**0.15%**	**0.15%**
	This is the fee you pay the bank which handles your order, calculated as a percentage of the subscription price of Notes you buy. It is in addition to the application price and the subscription price you pay to us.		
Total issue amount	We will decide the total principal amount of Notes of each series to be issued in light of investor demand and our funding requirements. The minimum issue amount is HK$50 million per series.		
Maturity	**9 June 2006**	**11 June 2007**	**9 June 2008**
	This is the date we will repay 100% of the principal of your Notes. We will not repay principal before these dates. If any of the dates on which we should pay interest or principal is not a business day in Hong Kong, we will make the payment on the next day which is a business day.		
Interest payment dates	**9 December 2004** and **9 June** and **9 December** in each year until the maturity date of the Notes		
	We pay interest at the end of every six months.		
Minimum purchase amount	**HK$50,000**	**HK$50,000**	**HK$50,000**
	The Notes are sold in individual units (denominations) of HK$50,000. You can buy Notes only in multiples of HK$50,000.		
Annualised yield	**EFN 2605 fixing yield plus a margin of 0.12%**	**EFN 5706 fixing yield plus a margin of 0.15%**	**EFN 5803 fixing yield plus a margin of 0.30%**
	The annualised yield is a measure of the actual return on your investment in the Notes (before handling, account and other fees).		

Annex 2

THE HONG KONG MORTGAGE CORPORATION LIMITED

HKMC205 2-year 2.50% Notes due June 2006
HKMC310 3-year 3.15% Notes due June 2007
HKMC401 4-year 3.55% Notes due June 2008

Technical Brief

What are the HKMC retail bonds?

- They represent senior and unsecured debts issued by The Hong Kong Mortgage Corporation Limited (HKMC) to retail investors through the appointed Placing Banks.

Why does the HKMC issue retail bonds?

- To enhance the HKMC's fund-raising capabilities by broadening its investor base to include retail investors.

- To promote the development of an active retail bond market in Hong Kong.

- To meet the increasing demand for high quality bonds by retail investors as evidenced by their enthusiastic response to the Corporation's retail bond issues as well as the retail bond and CD issues of other issuers.

What are the benefits of investing in the HKMC's retail bonds?

- The HKMC Notes are a stable investment that provides steady interest income to investors – the HKMC is wholly-owned by the Hong Kong SAR Government through the Exchange Fund and is rated Aa3 by Moody's and AA- by S&P as a long-term, local currency issuer. However, the Notes are not guaranteed by either the HKSAR Government or the Exchange Fund.

- The HKMC Notes carry higher yields than those of the Exchange Fund Notes of comparable tenors as well as the prevailing savings and time deposit rates.

- The HKMC Notes have assured liquidity in the secondary market as the Placing Banks have committed to quote firm bid prices for the Notes during business hours until the maturity date. The Corporation has also set aside 30% of the issue amount for tapping by the Placing Banks to facilitate the quoting of offer prices.

- The HKMC Notes are flexible to invest in with a small minimum denomination (HK$50,000), low transaction costs (0.15% subscription fee) and different tenors to suit the needs of different investors.

- The HKMC Notes are convenient to subscribe through the Placing Banks' designated branches, as well as their telephone and Internet banking facilities.

- Prices of the HKMC Notes may fall as well as rise.

What are the key terms of the upcoming retail bond issue?

Issuer	The Hong Kong Mortgage Corporation Limited ("HKMC") *Wholly-owned by the Hong Kong SAR Government through the Exchange Fund*
Issuer's Credit Ratings	Aa3 (Moody's) / AA- (S&P) Local-currency, long-term issuer ratings
Issue number	HKMC205 ("Series A") HKMC310 ("Series B") HKMC401 ("Series C")
Minimum Issue Amount	Minimum issue amount of each series is HK$50 million. By not setting a cap on the size of the issue, the HKMC reserves the right to fix the principal amount of each series in the light of valid applications received.
Subscription Period	25 May 2004, 9:00 a.m. to 3 June 2004, 2:00 p.m.
Issue Date	9 June 2004
Maturity Date	Series A: 9 June 2006 Series B: 11 June 2007 Series C: 9 June 2008
Coupon	Series A: 2.50% p.a., payable semi-annually Series B: 3.15% p.a., payable semi-annually Series C: 3.55% p.a., payable semi-annually Interest will be paid on the 9th day of each June and December between the Issue Date and Maturity Date of the relevant Notes
Annualised Yield	Series A: 2.52% p.a. (at price = 100.00%) Series B: 3.17% p.a. (at price = 100.00%) Series C: 3.58% p.a. (at price = 100.00%)
Spread	Series A: EFN 2605 yield fixing + 0.12 % Series B: EFN 5706 yield fixing + 0.15 % Series C: EFN 5803 yield fixing + 0.30 %
Denomination	HK$50,000
Listing	No listing

How can retail investors apply for the upcoming retail bonds?

- Retail investors intending to subscribe for the HKMC retail bonds must already have, or must open, a bank account and also an investment account with one of the Placing Banks. A retail investor may apply for the retail bonds through the following methods:

  (a) Application in person through a designated branch of a Placing Bank

  Investors can go to any designated branch of a Placing Bank and give instructions in person to apply for the Notes.

  (b) Application by Internet banking facilities

  Investors can make an on-line application if they already have set up arrangement with Bank of East Asia or DBS Bank to use its Internet banking facilities.

  (c) Application by phone banking facilities

  Investors can make a telephone application if they already have made an arrangement with Bank of America (Asia), Bank of China (Hong Kong), Bank of East Asia, Chiyu Bank, Citibank, DBS Bank, Hang Seng Bank, HSBC, ICBC (Asia), Nanyang Commercial Bank or Standard Chartered Bank to use their phone banking facilities.

What price will retail investors pay for the HKMC retail bonds?

- Upon application of the retail bond, investors are required to pay the Application Price, plus a handling fee of 0.15% of the Application Price of the retail bonds. The actual price that investors are required to pay for the retail bonds allotted is the Subscription Price plus a handling fee of 0.15% of such Subscription Price.

- **Application Price:** An indicative cap price of 102% of the principal amount of each series of retail bonds applied for. The principal amount of retail bonds applied for must be a minimum of HK$50,000 or a whole multiple of HK$50,000.

- **Subscription Price:** Subscription Price of each series of retail bonds will be the actual purchase price of the specific retail bonds determined at or around 11:30 a.m. on 7 June 2004. The annualised yield of each series of retail bonds will be fixed so as to equal to the annualised yield of the specified Exchange Fund Note ("EFN"), plus a spread, as follows:

  Annualised yield of Series A retail bond = EFN 2605 yield fixing + 0.12%
  Annualised yield of Series B retail bond = EFN 5706 yield fixing + 0.15%
  Annualised yield of Series C retail bond = EFN 5803 yield fixing + 0.30%

- Difference in Application Price and Subscription Price for each series of Notes:

  (a) refund the relevant part of the application monies if the Application Price is larger than the Subscription Price, or

(b) additional payment is required from successful applicants if Subscription Price is larger than the Application Price.

What is the allocation method?

- If total valid applications for each series are more than the amount to be issued (as determined by the HKMC at its discretion), all accepted applicants will be allocated a minimum of HK$50,000 in principal amount of the retail bonds of that series. The remaining retail bonds of that series will be allocated on a pro rata basis according to the number of retail bonds validly applied for (rounded down to the nearest whole retail bonds), and in the case of retail bonds remaining after rounding, by ballot.

- The ballot will be executed by the Paying Agent, Bank of China (Hong Kong).

How can retail investors trade the retail bonds in the secondary market?

- The Placing Banks have agreed with the HKMC to make a market for the retail bonds to quote a firm bid price so that investors can sell their holding if needed.

- The Placing Banks have also agreed to quote a firm offer price for the retail bonds so long as they may request the HKMC to issue additional retail bonds (up to a maximum of 30% of initial issue amount), and thereafter the offer price will be quoted on best efforts basis.

What will be the factors affecting the market price of the retail bonds and where can investors obtain information about the current yield level?

- After the issue date, the price of the retail bonds will vary depending on many factors including, but not limited to, prevailing interest rates. Generally, the price of retail bonds will rise when there is a fall in interest rates, and vice versa.

- Retail investors can find out the current price and yield for retail bonds from the Placing Banks.

What are the transaction costs to subscribe for and hold the retail bonds?

- Investors will pay a handling fee of 0.15% of Subscription Price of the retail bonds allotted to them.

- As the retail bonds are scripless and the allotted retail bonds will be credited to the investment account of the investor's chosen Placing Bank, the Placing Banks will charge a fee for opening and operation of an investment account. Investors should consult the Placing Banks for the relevant fee level.

How can investors get more information about the HKMC retail bonds?

- The Prospectus for the Notes are available for collection at the following places:
    - The Hong Kong Mortgage Corporation Limited
    - HKMC website: www.hkmc.com.hk
    - The designated branches of Bank of America (Asia), Bank of China (Hong Kong), Bank of Communications, The 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, Wing Hang Bank and Wing Lung Bank.

Annex 3

THE HONG KONG MORTGAGE CORPORATION LIMITED

HKMC205 2-year 2.50% Notes due June 2006
HKMC310 3-year 3.15% Notes due June 2007
HKMC401 4-year 3.55% Notes due June 2008

Issuing Timetable

Commencement Date for application	:	25 May 2004 (Tuesday), 9:00 a.m.
Closing Date for application	:	3 June 2004 (Thursday), 2:00 p.m.
Price-fixing Date	:	7 June 2004 (Monday) at or around 11:30 a.m.
Issue Date	:	9 June 2004 (Wednesday)

Annex 4

THE HONG KONG MORTGAGE CORPORATION LIMITED

Designated Branches of the Placing Banks for Handling the Applications for HKMC's Retail Notes

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	2232-3633
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	2886-8868
Wing Hang Bank	3199-9188
Wing Lung Bank	2526-5555