THE HONG KONG MORTGAGE CORPORATION LIMITED

Opening Remarks by Mr. Norman Chan, Executive Director
at the Signing Ceremony for the Appointment of the Placing Banks
for the Retail Bonds of the HKMC

9 February 2004

Good afternoon ladies and gentlemen,

I am pleased to welcome you all to this signing ceremony for the sixth retail bond issue by the Hong Kong Mortgage Corporation. The fact that this issue follows closely the last one in November 2003 is a clear reflection of the strong investor demand for retail bonds and the HKMC's commitment to develop the retail bond market.

With the abundance of liquidity in the banking sector, the savings deposit rate has been driven down to 0.001% and interest rate for the popular 3-month time deposit also stays at a low level of around 0.05%. Even for a relatively large amount of HK$1 million, a depositor can only earn an interest income of HK$10 from savings deposits and HK$500 from time deposits per year. The HKMC retail bonds therefore offer an attractive vehicle for retail investors looking for yield enhancement as well as portfolio diversification.

The strong support of the banking community of our efforts to develop the retail bond market is clearly demonstrated by the strength of the placing banks for this issue. Forging a strong and long-term partnership with the banks is indeed one of the key factors contributing to the success in the development of the HKMC's retail bond programme. While there are different

distribution channels, there is little doubt that the offering of bonds through placing banks is the most effective mechanism to distribute and channel bonds to the hands of retail investors. As the majority of retail bonds investors are also time depositors, our goal is to make the subscription and trading of retail bonds as convenient as placing or renewing deposits. This goal has largely been achieved by leveraging on the extensive branch network and highly convenient phone and Internet banking facilities of the placing banks, and their commitment to make market for the bond issues.

I am pleased to see that the HKMC has been taking a leading role in developing the retail bond market in Hong Kong. Since the HKMC introduced the issuing mechanism through placing banks in October 2001, 24 companies and banks have issued over 170 retail bonds and bank certificates of deposit for an aggregate amount of HK$38 billion to retail investors. For the HKMC, we have raised over HK$7.4 billion through 5 retail bond issues, accounting for 27% of the HKMC total debt issuance in that period.

Lastly, I would like to thank the Bank of East Asia, HSBC and Standard Chartered Bank for underwriting the 7-year tranche of this new retail bond issue. I would also like to thank the other placing banks: Bank of China (Hong Kong), Bank of Communications, Chiyu Bank, DBS (Hong Kong), Hang Seng Bank, ICBC (Asia), International Bank of Asia, Liu Chong Hing Bank, Nanyang Commercial Bank, Shanghai Commercial Bank and Wing Lung Bank, for their participation in placing this issue. With the extensive branch networks of the Placing Banks, coupled with their sophisticated telephone banking system and Internet banking facilities, I am very confident that this retail bond issue will be successful and well received by the investing public.

Thank you.