THE HONG KONG MORTGAGE CORPORATION LIMITED

Opening Remarks by Mr. James H. Lau Jr., Chief Executive Officer at the Signing Ceremony of the 1-Year to 10-Year Fixed Rate Mortgage Scheme

3 November 2005

Good afternoon ladies and gentlemen,

First of all I would like to extend a warm welcome to you all for coming to the signing ceremony of the 1 year to 10 year Fixed Rate Mortgage Scheme of the HKMC.

The new scheme is an extension of the Fixed Adjustable Rate Mortgage (FARM) Programme pioneered by the HKMC in March 1998. The FARM programme was designed to promote fixed-rate mortgage loans and provide an additional choice of mortgage financing to homebuyers. As you know, fixed-rate mortgages are quite common in overseas developed countries such as the United States, and serve to protect borrowers against volatility in interest rates. In other words, the fixed rate mortgage product provides borrowers with an assurance as to the level of their financial commitment to fund the mortgages for their homes during the fixed rate period.

The promotion of fixed rate mortgages has always been one of the priorities in the HKMC's product development. The merits of this initiative are compelling as fixed-rate mortgage product benefits homebuyers, banks and the HKMC, and it also helps to promote banking stability. To the homebuyers, fixed-rate mortgage provides certainty in terms of monthly mortgage repayment amount and more importantly, insulate them from adverse

movement in interest rate during the fixed-rate period. To the participating banks, their partnership with the HKMC provides an effective avenue for procuring new mortgage businesses and marketing their banking products to the borrowers. To the HKMC, it will help us diversify our mortgage portfolio to include a good mix of floating and fixed-rate mortgage loans.

Until today, the FARM programme only provides fixed-rate mortgages for up to 5 years. With the US Federal Reserve raising its target funds rate for a 12th straight time since June 2004 by a total of 3% (from 1% to 4%) and with market expectation of further hikes in the pipeline, the mortgage interest rates in Hong Kong would probably be continuing on an up trend for some time to come. In light of this rising interest rate environment, the Corporation has decided to launch a special scheme under the FARM Programme to extend the maximum loan tenor from 5 years to 10 years. The timing is very opportune, as the Corporation has managed to capture favourable market opportunities to secure fixed-rate funding. This has translated into very attractive fixed mortgage rates to be offered to homebuyers.

The new scheme will enable mortgage borrowers to lock in a predetermined rate that remains fixed during the designated period and be insulated from any future volatility in interest rates during the entire period. At the end of the fixed-rate period, borrowers will have a choice of either re-fixing the mortgage rate for another term at the then prevailing fixed rate offered by the HKMC or converting the mortgage loan to a pre-committed floating rate of Prime - 2.25% per annum. Another attractive feature of the scheme is that the prepayment penalty period is capped at three years for fixed-rate periods from 3 years up to 10 years. Hence the borrowers are equipped with a high degree of flexibility even in the case of the longer-tenor fixed-rate products.

I would also like to take this opportunity to thank the six participating banks, Bank of China (Hong Kong), Bank of East Asia, Limited, DBS Bank (Hong Kong), Hang Seng Bank, HSBC and ICBC (Asia) Limited, for sharing the HKMC's conviction to offer protection against interest rate volatility to borrowers. With their extensive branch network and strong commitment in product promotion, I look forward to a wider segment of the population enjoying the benefits of the new fixed-rate product. Other banks participating in our Corporation's Mortgage Insurance Programme are also welcome to market the products on offer today.

Thank you.