Press Release

The Hong Kong Mortgage Corporation Limited

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

The Hong Kong Mortgage Corporation Limited (HKMC) is pleased to announce today (Monday) the launch of a new retail bond issue with four series of notes (the "Issue") under the HK$20 Billion Retail Bond Issuance Programme (the "Programme").

The coupons of the four series of notes are as follows:

Currency	Tenor	Coupon (payable semi-annually)
HKD	1-year	3.00%
HKD	3-year	3.50%
USD	1-year	3.10%
USD	1-year extendable for 1 year and further extendable for 1 year	3.10% for first year 3.50% for second year 4.00% for third year

The HKMC today signed an agreement with the two Underwriting Banks, namely, The Hongkong and Shanghai Banking Corporation Limited and Bank of China (Hong Kong) Limited for an underwriting amount of HK$300 million in respect of the 3-year Hong Kong dollar note of the Issue.

Under the Programme, the HKMC has appointed 17 banks from the Dealer Group of the Programme as Placing Banks to distribute the Issue to retail investors. The 17 Placing Banks are Bank of America (Asia), Bank of China (Hong Kong) Limited, CITIC Ka Wah Bank, Bank of Communications, Bank of East Asia, Chiyu Bank, Dah Sing Bank, DBS Bank, Hang Seng Bank, The Hongkong and Shanghai Banking Corporation Limited, Fubon Bank (Hong Kong), Liu Chong Hing Bank, Nanyang Commercial Bank, Shanghai Commercial Bank, Standard Chartered Bank (Hong Kong) Limited, Wing Hang Bank and Wing Lung Bank.

The Placing Banks will also perform the role of market makers for the Issue to facilitate transactions in the secondary market. This offering mechanism through Placing Banks was first introduced by the HKMC in 2001 and has proven highly effective in marketing bonds to retail investors. So far, the HKMC has issued seven retail bond issues totaling HK$10.4 billion.

HKMC retail bonds provide investors with an additional investment product to achieve a balanced investment portfolio and stable interest income. The Issue, with the terms and conditions highlighted in Annex A, will bring the following additional benefits to retail investors:

(a) Wide distribution network to reach out effectively to retail investors: the 17 Placing Banks have over 850 designated bank branches for handling subscriptions. In addition, retail investors can subscribe for the notes by telephone or Internet banking facilities provided by certain Placing Banks.

(b) Variety in currency, tenor and return to provide investment choices to retail investors: the Issue comprises four series of notes, allowing retail investors a choice of currency and tenor for portfolio diversification. The HKMC will launch two series of Hong Kong dollar fixed rate notes of 1-year maturity and 3-year maturity as well as two series of US dollar fixed rate notes of 1-year maturity and 1-year extendable up to 3-year maturity. It is the first-ever US dollar notes launched by the HKMC.

(c) Established market making arrangement to facilitate transactions in the secondary market: the 17 Placing Banks have committed to quoting firm bid prices for the notes during business hours until the maturity dates of the notes. This will ensure that retail investors can liquidate their holdings in the secondary market. To facilitate the Placing Banks to quote their offer prices, the HKMC reserves an additional issue amount of 30% on the issued amount for further draw down by the Placing Banks at any time during the life of the notes. The Placing Banks have also committed to quoting firm offer prices until the reserve amount is fully drawn down and will continue to do so on a best effort basis.

Investors may subscribe for one or more of the above series of notes. The actual subscription price for each of the two Hong Kong dollar notes will be determined by reference to the corresponding Exchange Fund Bill and Note as specified in the Issue Prospectus. Each of the two US dollar notes will be offered at a price of 100.

The offer period will commence at 9:00 a.m. on 19 July 2005 (Tuesday) and end at 2:00 p.m. on 26 July 2005 (Tuesday). The timetable for the issue is set out in Annex B. As applicants need to have a bank account and an investment account with any one of the Placing Banks whom 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 can obtain the Programme Prospectus and the Issue Prospectus from any of the designated branches of the 17 Placing Banks (Annex C) or the office of the HKMC. Investors may also access the website of the HKMC (www.hkmc.com.hk) for details of the Issue.

"The success of HKMC's debt issues has been attributable to HKMC's high credit ratings, which are the same as those of the Hong Kong SAR Government, and to the wide range of notes that can meet the different investment needs of retail investors," said Mr Peter Pang, Executive Director of the HKMC. "This move by the HKMC to issue US dollar denominated bonds will help to promote the development of a safe and efficient financial infrastructure for Hong Kong, based on a multi-currency, multi-dimensional platform."

Mr James H. Lau Jr., Chief Executive Officer of the HKMC, said, "The HKMC will continue to devote resources to improve its debt issuance programme. A mature retail bond market helps the HKMC to broaden its funding sources and also improve investment opportunities for investors."

The Hong Kong Mortgage Corporation Limited
18 July 2005

Annex A

THE HONG KONG MORTGAGE CORPORATION LIMITED

HKMC102 1-year HKD 3.00% Notes due August 2006
HKMC311 3-year HKD 3.50% Notes due August 2008
HKMC103 1-year USD 3.10% Notes due August 2006
HKMC312E 1-year USD 3.10% Extendable Notes due August 2006

Major Terms of the 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/A1 (Moody's); AA-/A+ (S&P) Local-currency/Foreign-currency, long-term issuer ratings
Issue number	HKMC102 ("Series A") HKMC311 ("Series B") HKMC103 ("Series C") HKMC312E ("Series D")
Minimum Issue Amount	Minimum issue amount is HK$50 million each for Series A and B; US$5 million each for Series C and D. The HKMC reserves the right to increase the issue amount of each series of notes.
Subscription Period	19 July 2005, 9:00 a.m. to 26 July 2005, 2:00 p.m.
Issue Date	1 August 2005
Maturity Date	Series A: 1 August 2006 Series B: 1 August 2008 Series C: 1 August 2006 Series D: 1 August 2006 (at the option of the Issuer, extendable to 1 August 2007 and to 1 August 2008 at the 1st and 2nd anniversary of the note)
Coupon	Series A: 3.00% p.a., payable semi-annually Series B: 3.50% p.a., payable semi-annually Series C: 3.10% p.a., payable semi-annually Series D: 3.10% p.a. for first year, 3.50% for second year, 4.00% for third year, payable semi-annually Interest will be paid on the 1st day of each February and August between the Issue Date and Maturity Date of the relevant notes.

Annualised Yield	Series A: 3.02% p.a. (at price = 100.00%) Series B: 3.53% p.a. (at price = 100.00%) Series C: 3.12% p.a. (at price = 100.00%) Series D: 3.12% p.a for first year, 3.53% for second year, 4.04% for third year. (at price = 100.00%)
Application Price	Series A and B: 102% of the principal amount of the notes Series C and D: 100% of the principal amount of the notes
Subscription Price	Series A and B: Subscription Price will be the actual purchase price of the specific retail notes determined at or around 11:30 a.m. on 28 July 2005. The annualised yield of each series of notes will be fixed so as to equal to the pre-determined spread over the annualised yield of the specified Exchange Fund Bill or Exchange Fund Note. Annualised yield of Series A = EFB Y592 yield fixing + 0.10 % Annualised yield of Series B = EFN 5809 yield fixing + 0.20 % Series C and D: Subscription Price is 100% of the principal amount of the notes
Handling Fee	Investors will pay a handling fee of 0.15% on the Subscription Price of the notes allotted to them.
Denomination	HK$50,000 for Series A and B; US$5,000 for Series C and D
Listing	No listing

Annex B

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HKMC103 1-year USD 3.10% Notes due August 2006
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Issuing Timetable

Commencement Date for application	:	19 July 2005 (Tuesday), 9:00 a.m.
Closing Date for application	:	26 July 2005 (Tuesday), 2:00 p.m.
Price-fixing Date for Series A and B Notes	:	28 July 2005 (Thursday) at or around 11:30 a.m.
Issue Date	:	1 August 2005 (Monday)

Annex C

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)	2291-8068
Bank of Communications	2269-9699
Bank of East Asia	2211-1311
Chiyu Bank	2232-3625
CITIC Ka Wah Bank	2287-6788
Dah Sing Bank	2828-8000
DBS Bank	2290-8888
Fubon Bank (Hong Kong)	2566-8181
Hang Seng Bank	2998-9898
HSBC	2269-2121
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