Press Release

The Hong Kong Mortgage Corporation Limited

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

The Hong Kong Mortgage Corporation Limited (HKMC) is pleased to announce the successful launch of the first-ever partially un-guaranteed Mortgage-Backed Securities (MBS) issued under its Bauhinia Mortgage-Backed Securitisation Programme. The event was marked by a signing ceremony held today (Monday).

The HKMC is by far the most active and regular issuer in the local securitisation market and has sponsored a total of HK$13.2 billion in MBS (including today's new issue) since it began its securitisation activities in 1999. This accounts for around a quarter of the total issuance in Hong Kong's securitisation market in the past ten years.

Today's MBS issue is collateralised by a pool of mortgage loans purchased by the HKMC from the Hong Kong Housing Authority during 2001 to 2003. The MBS issue is divided into two classes of notes – Class A notes of HK$1,740 million and Class B notes of HK$260 million.

The Class A notes carry fixed-rate coupon and have bullet maturities. They will not be subject to prepayment risk and are specifically designed for investors who prefer a stable return on their investment along with the highest credit quality. On the other hand, the Class B notes carry floating-rate coupon and have a pass-through feature to absorb excess principal prepayments/repayments. The Class B notes cater for investors who can accept a higher prepayment exposure and subordination in return for a higher investment yield. (Please refer to Annexes for the details of the issue.)

"This MBS issue is unique in two ways," said Mr Peter Pang, Executive Director of the HKMC. "Today's MBS issue is the first MBS sponsored by the HKMC as a triple-A institution after its rating upgrade by Moody's in late October 2006. The HKMC is so far the only triple-A rated institution in Hong Kong. With its high credit standing, the HKMC is well positioned to play a more active and strategic role in promoting the development of the debt and securitisation markets in Hong Kong," said Mr Pang. "Secondly, today's issue of HK$2 billion is the first-ever partially un-guaranteed MBS sponsored by the HKMC," he added.

The un-guaranteed Class A notes will benefit from the credit subordination to be provided by the Class B notes, achieving a triple-A rating by both Moody's and S&P's. The Class B notes will carry an unconditional and irrevocable guarantee to be provided by the HKMC. It benefits from the credit strength of the HKMC and is assigned a credit rating of Aaa/AA.

Both rating agencies noted that the assigned ratings of the MBS issue reflect the credit quality of the underlying mortgage pool, subordination structure provided for Class A, the credit strength of the HKMC as guarantor for Class B, the experience of the HKMC as the master servicer as well as the structuring of the issue with liquidity facility and reserve fund.

A diverse group of investors including retirement funds, insurance companies, banks and other institutional investors have shown a keen interest in this highly rated new MBS issue.

Mr James H Lau Jr, Chief Executive Officer of the HKMC, said, "We are glad to see the growing sophistication and interest of investors in highly rated MBS products in this region. We will continue to develop the local securitisation market through product innovation and regular issuance, and strengthen Hong Kong's role as an international financial centre and funding hub in the region."

"HSBC is honoured to have been involved in all the HKMC's previous public securitisation transactions, and to take a leading role in this residential mortgage-backed securities deal which offers a debut unguaranteed class of notes. It's very promising to see a wider range of products in the market, fostering the continued growth in the depth and breadth of the Hong Kong's capital markets." said Ms Anita Fung, Treasurer and Head of Global Markets, Asia-Pacific of HSBC.

There are six banks joining the Management Group of the Issue, namely, Sole Arranger and Lead Manager: HSBC; Co-lead Managers: DZ BANK AG, Hong Kong Branch, ICBC (Asia) and BMO Capital Markets Corp and Co-managers: ANZ Investment Bank and Commonwealth Bank of Australia.

The MBS issue will be cleared through the Central Moneymarkets Unit operated by the Hong Kong Monetary Authority.

The Hong Kong Mortgage Corporation Limited
27 November 2006

Annex A

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Bauhinia MBS Limited
HK$2,000,000,000 Mortgage-Backed Securities Issue
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Main features of the HK$2 billion MBS issue

Class	Amount	Credit Rating	Maturity Date	Coupon	Principal Repayment
Class A-1	HK$300 million	Aaa/AAA	December 2007	4.07% p.a., payable quarterly	Bullet
Class A-2	HK$740 million	Aaa/AAA	December 2009	4.18% p.a., payable quarterly	Bullet
Class A-3	HK$700 million	Aaa/AAA	December 2011	4.28% p.a., payable quarterly	Bullet
Class B	HK$260 million	Aaa/AA	October 2017	1-month HIBOR + 0.18% p.a., payable monthly	Pass-through

Annex B

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Bauhinia MBS Limited
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Summary of Terms and Conditions

Issuer	:	Bauhinia MBS Limited
Issue Series	:	Series 2006-1
Issue Type	:	Un-guaranteed Mortgage-backed Fixed Rate Notes and Guaranteed Mortgage-backed Floating Rate Notes
Collateral	:	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: Class A-1 Notes HK$300,000,000 Class A-2 Notes HK$740,000,000 Class A-3 Notes HK$700,000,000 Class B Notes HK$260,000,000
Issue price	:	Par (100.00%)
Interest Rate	:	Class A-1 Notes 4.07% p.a., payable quarterly Class A-2 Notes 4.18% p.a., payable quarterly Class A-3 Notes 4.28% p.a., payable quarterly Class B Notes 1-month HIBOR + 0.18% p.a., payable monthly

Notes Rating	:	Class A Notes	Moody's: Aaa Standard & Poor's: AAA
		Class B Notes	Moody's: Aaa Standard & Poor's: AA
Guarantor (for Class B Notes only)	:	HKMC	
Guarantor's Local Currency Ratings	:	Moody's: Aaa Standard & Poor's: AA	
Guarantee	:	Class B Notes will be guaranteed by the Guarantor (HKMC) for the payment of MBS interest and principal when contractually due.	
Notes Ranking	:	The Class A-1 Notes, Class A-2 and Class A-3 Notes rank pari passu for payments of interest and principal. The Class B Notes is subordinated to the Class A-1 Notes, Class A-2 Notes and Class A-3 Notes for payments of interest and principal.	
Principal Repayment	:	Principal will be repaid to the holders of Class A Notes as set out below: Class A-1 Notes 6 December 2007 Class A-2 Notes 6 December 2009 Class A-3 Notes 6 December 2011 Any excess principal repayment from the mortgage loans will be used to repay Class B Notes after meeting certain conditions.	
Issue Date	:	29 November 2006	
Legal Final Maturity	:	Class A-1 Notes	6 December 2007
		Class A-2 Notes	6 December 2009
		Class A-3 Notes	6 December 2011
		Class B Notes	6 October 2017, unless previously redeemed in full

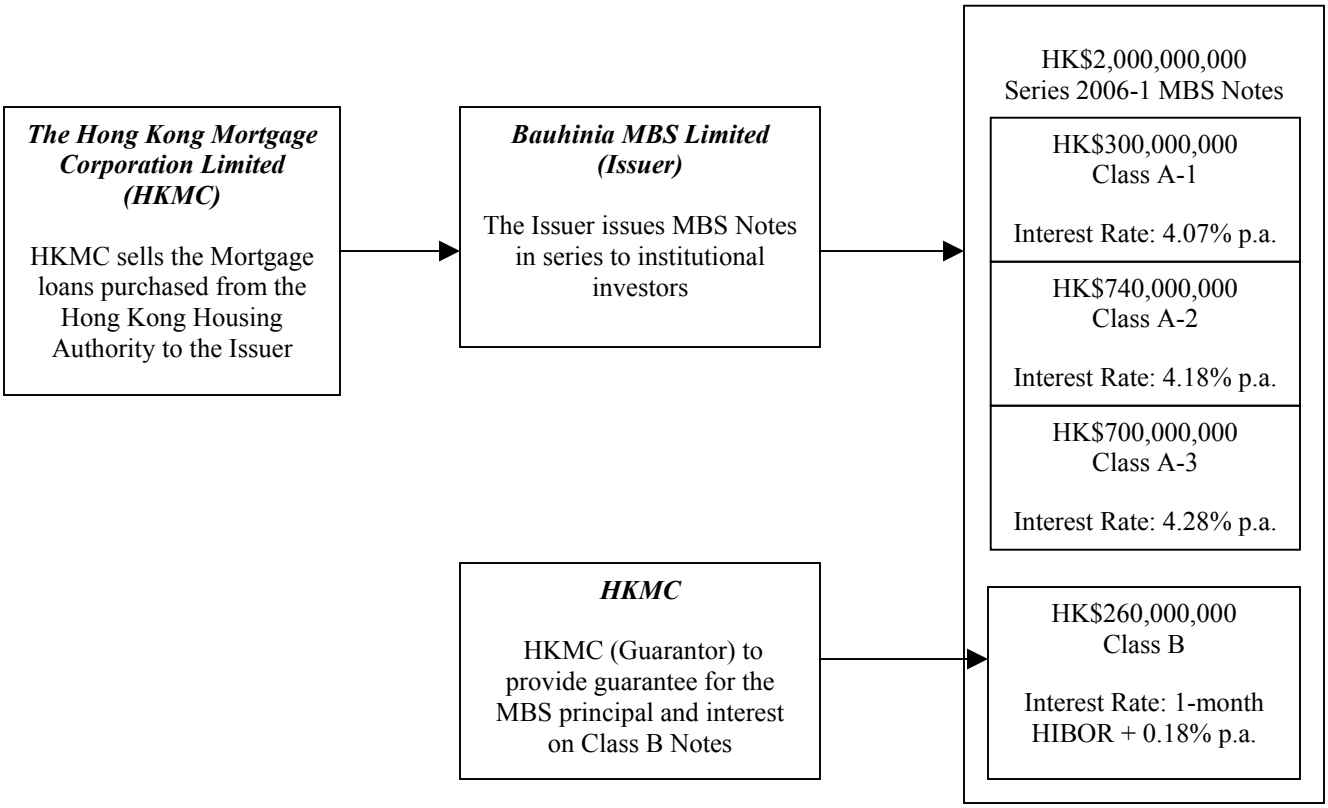
Issuer's Clean-Up Call	:	The Issuer may fully redeem the outstanding Class B Notes on any monthly MBS Payment Date on the earlier occurrence of either the following events: (i) when the outstanding mortgage pool balance is 10% or less than the initial mortgage pool amount or (ii) the first Payment Date falling on or after 6 April 2013. The Issuer's Clean-Up Call may not be exercised prior to the payment in full of all amounts due under the Class A Notes.
Tenor	:	Class A-1 Notes 1 year Class A-2 Notes 3 years Class A-3 Notes 5 years For Class B Notes, the estimated weighted average life is 6.05 years, taking due consideration of scheduled monthly mortgage repayments, unscheduled full and/or partial mortgage prepayments with assumed constant prepayment rate (CPR) of 4.18% and the Issuer's Clean-Up Call.
Liquidity Facility Provider	:	HKMC
Arranger, Lead Manager and Bookrunner	:	HSBC
Co-Lead Managers	:	DZ BANK AG, Hong Kong Branch ICBC (Asia) BMO Capital Markets Corp
Co-Managers	:	ANZ Investment Bank Commonwealth Bank of Australia
Notes & Security Trustees and Paying Agent	:	HSBC
Clearing / Settlement	:	Central Moneymarkets Unit (CMU)

Annex C

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Bauhinia MBS Limited
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Transaction Structure



Annex D

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Major Characteristics of the Underlying Mortgage Pool

	Provisional Pool Information
Number of Mortgages	5,415
Aggregate Outstanding Principal Balance	HK$ 2,000,152,273
Average Outstanding Principal Balance	HK$ 369,373
Maximum Outstanding Principal Balance	HK$ 512,776
Minimum Outstanding Principal Balance	HK$ 44,638
Maximum remaining term to maturity (in months)	131
Minimum remaining term to maturity (in months)	12
Weighted average original term to maturity (in months)	158
Weighted average remaining term to maturity (in months)	87