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 (Friday) the launch of a new retail bond issue with three series of notes (the "Issue") under the HK$20 Billion Retail Bond Issuance Programme (the "Programme").

The coupons and subscription prices of the notes are as follows:

Currency	Tenor	Coupon (payable semi-annually)	Subscription Price
HKD	2 years	4.38%	It will be fixed by reference to the corresponding EFN on 14 September 2006
USD	2 years	4.88%	100%
HKD	10 years	0% (Zero Coupon Bonds)	65% (repaid at 100% upon maturity)

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 a total underwriting amount of HK$600 million in respect of the 2-year Hong Kong dollar notes of the Issue.

The HKMC has appointed 17 Placing Banks from the Programme to distribute the Issue to retail investors. They are Bank of America (Asia), Bank of China (Hong Kong), Bank of Communications, Bank of East Asia, Chiyu Bank, CITIC Ka Wah Bank, Dah Sing Bank, DBS Bank (Hong Kong), Hang Seng Bank, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia), Liu Chong Hing Bank, Nanyang Commercial Bank, Shanghai Commercial Bank, Standard Chartered Bank (Hong Kong), 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 eight retail bond issues totaling HK$11 billion.

HKMC retail bonds provide investors with the choice of 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 840 designated bank branches for handling subscriptions.

(b) Variety in currency, tenor and structure to provide investment choices to retail investors: the Issue comprises three series of notes, allowing retail investors a choice of currency and tenor for portfolio diversification. The HKMC will launch 2-year notes in Hong Kong dollar and US dollar as well as a new Hong Kong dollar 10-year Zero Coupon Bonds. This is the first time that a zero coupon bond product has been offered to the retail public in Hong Kong and it is also the first time HKMC issues retail bond with 10-year tenor. Investors may subscribe for one or more of the above series of notes.

(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.

The actual subscription price for the 2-year Hong Kong dollar notes will be fixed at 12 basis points, i.e. 0.12%, above the corresponding Exchange Fund Note as specified in the Issue Prospectus. The 2-year US dollar notes will be offered at a price of 100 per cent. The 10-year Hong Kong dollar Zero Coupon Bonds will be offered at a subscription price of 65 per cent, and repaid upon maturity at a full face value price of 100 per cent, thus offering a 10-year total return of around 53.8% to investors.

The offer period will commence at 9:00 a.m. on 4 September 2006 (Monday) and end at 2:00 p.m. on 12 September 2006 (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.

"Two major factors are behind the success of the HKMC's retail bond issues. First it is our strong credit rating. In fact, our credit rating has recently been upgraded by S&P's to AA with stable outlook and by Moody's to Aa3 with positive outlook. Secondly, the HKMC meets the needs of retail investors through continual product innovation." said Mr Peter Pang, Executive Director of the HKMC. "To sum up, the retail bonds offered today will provide the general public with an additional, relatively safe investment vehicle. I trust that our product innovation will also promote the development of the bond market in Hong Kong. This creates a win-win situation for the investors, the placing banks and the Corporation."

Mr James H. Lau Jr., Chief Executive Officer of the HKMC, said, "The HKMC is pleased to continue its tradition of retail bond product innovation. 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
1 September 2006

Annex A

THE HONG KONG MORTGAGE CORPORATION LIMITED

HKMC206 2-year HKD 4.38% Notes due September 2008
HKMC207 2-year USD 4.88% Notes due September 2008
HKMC1001 10-year HKD Zero Coupon Bonds due September 2016

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 (Moody's); AA (S&P) Long-term issuer ratings
Issue number	HKMC206 ("Series A") HKMC207 ("Series B") HKMC1001 ("Series C")
Minimum Issue Amount	HK$50 million for each of Series A and C; US$5 million for Series B. The HKMC reserves the right to increase the issue amount of each series of notes.
Subscription Period	9 a.m. on 4 September 2006 to 2 p.m. on 12 September 2006
Issue Date	18 September 2006
Maturity Date	Series A: 18 September 2008 Series B: 18 September 2008 Series C: 19 September 2016
Coupon	Series A: 4.38% p.a., payable semi-annually Series B: 4.88% p.a., payable semi-annually Series C: 0% (Zero Coupon Bonds) For Series A and B Notes, interest is payable on the 18th day of March and September between the Issue Date and the Maturity Date of the relevant notes. For Series C Notes, no interest will be paid.

Annualised Yield	Series A: 4.43% p.a. (at price = 100%) Series B: 4.94% p.a. (at price = 100%) Series C: 4.40% p.a. (at price = 65%), or a 10-year total return of around 53.8%# (# (100%-65%) / 65% = 53.8%)
Application Price	Series A: 102% of the principal amount of the notes Series B: 100% of the principal amount of the notes Series C: 65% of the principal amount of the notes
Subscription Price	Series A: The Subscription Price will be the actual purchase price of the notes determined at or around 11:30 a.m. on 14 September 2006. The annualised yield of the Series A notes will be fixed so as to equal to a spread of 0.12% over the annualised yield of Exchange Fund Note series EFN 2808. Series B: 100% of the principal amount of the notes Series C: 65% of the principal amount of the notes (repaid at 100% upon maturity)
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 C; US$5,000 for Series B

Annex B

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Issuance Timetable

Commencement Date for Application	:	4 September 2006 (Monday), 9:00 a.m.
Closing Date for Application	:	12 September 2006 (Tuesday), 2:00 p.m.
Price-fixing Date for Series A Notes	:	14 September 2006 (Thursday) at or around 11:30 a.m.
Issue Date	:	18 September 2006 (Monday)

Annex C

THE HONG KONG MORTGAGE CORPORATION LIMITED

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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)	3669-3668
Bank of Communications	2269-9699
Bank of East Asia	2211-1311
Chiyu Bank	2232-3633
CITIC Ka Wah Bank	2287-6788
Dah Sing Bank	2828-8000
DBS Bank	2290-8888
Hang Seng Bank	2998-9898
The Hongkong and Shanghai Banking Corporation Limited	2269-2121
Industrial and Commercial Bank of China (Asia)	2189-5588
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