Press Release

The Hong Kong Mortgage Corporation Limited

Debut Composite Interest Rate Notes Issue

The Hong Kong Mortgage Corporation Limited (HKMC) is pleased to announce the launch of a debut issue under the Debt Issuance Programme for a HK$100 million 2-year Composite Interest Rate Notes. The issue, arranged and managed by Industrial and Commercial Bank of China (Asia) Limited, was marked by a signing ceremony held today (Thursday). The 2-year Notes carry a monthly coupon of Composite Interest Rate plus 1.10% per annum and will be settled and cleared through the Central Moneymarkets Unit (CMU) on 24 March 2006.

The Composite Interest Rate reflects the average cost of funds of banks and is compiled monthly by the Hong Kong Monetary Authority (HKMA) on the basis of statistical data from retail banks. The Composite Interest Rate is computed on the basis of the weighted average of all Hong Kong dollar interest-bearing liabilities of retail banks. These include deposits from customers, amounts due to banks, negotiable certificates of deposit, other debt instruments and Hong Kong dollar non-interest bearing demand deposits. Starting from February 2006, the Composite Interest Rate is fixed on a monthly basis and announced in the Monthly Statistical Bulletin in the HKMA website (www.hkma.gov.hk).

Mr James H. Lau Jr., Chief Executive Officer of the HKMC, said, “This debut issue of a Composite Interest Rate note is another initiative by the HKMC to promote product diversification in the Hong Kong debt market. Composite Interest Rate notes should be of interest to investors who prefer bond yields that are more stable than HIBOR.”

In this connection, the HKMC has liaised with banks to explore the feasibility of introducing Composite Interest Rate mortgage products. Four banks – The Bank of East Asia, Limited; CITIC Ka Wah Bank Limited; DBS Bank (Hong Kong) Limited and Hang Seng Bank Limited – have agreed in principle to launch mortgage loan products indexed on the Composite Interest Rate. "The launch of Composite Interest Rate mortgage products will provide an additional consumer choice and should be beneficial to the development of the mortgage financing market," Mr. Lau added.

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