Press Release

The Hong Kong Mortgage Corporation Limited

Expansion of the Mortgage Insurance Programme

The Hong Kong Mortgage Corporation Limited (HKMC) is pleased to announce today 28 December 2007 the expansion of the Mortgage Insurance Programme (MIP) to cover loans secured by non owner-occupied residential properties.

Since the launch of the MIP in March 1999, the Corporation has adopted a proactive and prudent approach to expand the eligibility criteria and product range of the MIP to meet the requirements of banks and homebuyers. Over the years, the MIP has assisted over 42,000 homebuyers to realise their aspiration for homeownership. The homeownership rate in Hong Kong has improved from 51% in 1999 to 58% in 2006.

In response to market demand and after thorough discussions with the MIP participating banks and reinsurance companies, the HKMC decides to extend insurance coverage under the MIP to non owner-occupied residential properties that meet a set of tightened eligibility criteria.

The enhanced product will provide mortgages on non owner-occupied residential properties with a loan-to-value (LTV) ratio up to 85% and a loan amount of up to HK$8 million with maximum tenor at origination of 40 years. The detailed eligibility criteria and insurance premium levels for non owner-occupied residential mortgage loans are set out at Annexes A and B respectively.

Mortgage insurance on non owner-occupied residential properties is popular in overseas countries. Such arrangement is welcome by property buyers who wish to make a long-term investment with a steady rental income stream.

Mr James H. Lau Jr., Chief Executive Officer of the HKMC, noted that “the HKMC has been proactive in enhancing the product range of the MIP in

order to best meet the diverse needs of the market and to borrow from overseas experience as appropriate. The new enhancements to the MIP are in tune with the development of the mortgage market in Hong Kong by providing more options to borrowers."

The HKMC will accept applications for this new product with effect from 31 December 2007. Enquiries may be directed to the HKMC hotline at 2536-0136 or any participating banks for further information.

The Hong Kong Mortgage Corporation Limited
28 December 2007

Annex A

Eligibility Criteria for 85% LTV Loans

Secured by Non Owner-Occupied Residential Properties

Description: Insurance Eligibility Criteria for Floating and Fixed Adjustable Rate Mortgages with a loan-to-value (LTV) ratio up to 85% secured on non owner-occupied residential properties.	
The core Eligibility Criteria are summarised below:	
Product Type	a) Floating Rate Mortgages b) Fixed Adjustable Rate Mortgages
Maximum Loan Amount at Origination	HK$8,000,000 Only fully amortising mortgage loans are eligible for cover. Mortgage loans with balloon payments, payment holidays and Deferred Principal Repayment Loans are not eligible for cover.
Determination of LTV ratio	85% (may go slightly over 85% if premium is financed by the mortgage loan) The purchase price for determination of LTV ratio must exclude the value of any incentives offered by the relevant vendor or any other third party to the Borrower in the purchase of the property.
Calculation of Debt-to-Income (DTI) ratio	50% 70% of monthly rental income will be factored into DTI ratio (subject to support of tenancy agreement). Income from guarantor(s) will not be counted into DTI ratio unless the Borrower is a shelf company that the shareholder(s) and/or director(s) act as guarantor(s) of the loan.

Maximum Original Term to Maturity	40 years
Maximum sum of "remaining term to maturity" and "age of property"	75 years (subject to case-by-case approval where it exceeds 50 years)
Borrower Type	Personal customers and shelf companies incorporated in/outside Hong Kong For shelf companies, all of shareholder(s) and/or director(s) act as guarantor(s) of the loan.
Type of Property	All residential properties in Hong Kong including village houses (properties registered in the name of a "Tso" or a "Tong" in the New Territories are not eligible for Cover under the MIP non owner-occupied residential property). Properties under construction, excluding village houses, are eligible for coverage (i.e. equitable mortgages are allowed).
Refinancing	Eligible for refinancing and cash-out refinancing
Premium Rates	Only with single premium payment option (with no premium refund arrangement)
Down Payment	The down payment for the purchase of the property must be paid from the Borrower's own assets and must not have been financed by way of any loan, banking/credit facility or any other third party.
Cash Reserve	Borrower must have sufficient liquid assets or cash reserve of 6-month of mortgage instalments in addition to the down payment amount.
Cap on number of non owner-occupied residential properties for each Mortgagor/Borrower/ Guarantor* under MIP *Only applicable to shareholder and/or director of a shelf company	2

Annex B

Mortgage Insurance Premium Rate Sheet
Non Owner-occupied Residential Property Loans
Floating Rate

LTV Ratio	**Loan Tenor (Years)**	**Single Premium Payment** (% of the Original Principal Balance)
Above 70% and up to 75%	10	0.95
	15	1.00
	20	1.05
	25	1.10
	30	1.15
	35	1.20
	40	1.25
Above 75% and up to 80%	10	1.60
	15	1.75
	20	2.00
	25	2.10
	30	2.25
	35	2.35
	40	2.45
Above 80% and up to 85%	10	2.55
	15	2.80
	20	3.15
	25	3.30
	30	3.40
	35	3.50
	40	3.60

Mortgage Insurance Premium Rate Sheet
Non Owner-occupied Residential Property Loans
FARM* Rate

LTV Ratio	**Loan Tenor (Years)**	**Single Premium Payment** (% of the Original Principal Balance)
Above 70% and up to 75%	10	0.93
	15	0.98
	20	1.03
	25	1.08
	30	1.13
	35	1.17
	40	1.22
Above 75% and up to 80%	10	1.55
	15	1.70
	20	1.95
	25	2.05
	30	2.15
	35	2.25
	40	2.35
Above 80% and up to 85%	10	2.40
	15	2.70
	20	2.95
	25	3.05
	30	3.20
	35	3.30
	40	3.40

* Fixed Adjustable Rate Mortgages – Product under the Committed FARM Programme announced by the HKMC