Press Release

Joint Venture between The Hong Kong Mortgage Corporation Limited and Cagamas Berhad on Mortgage Guarantee Business

The Hong Kong Mortgage Corporation ("HKMC") today signed a joint venture ("JV") Agreement with Cagamas Berhad on the establishment of a company to develop mortgage guarantee businesses in Malaysia and other countries. Cagamas is Malaysia's national mortgage corporation with a core mission to make housing loans more accessible and affordable in Malaysia.

The new JV company, which will be owned by the HKMC and Cagamas in equal share, will be incorporated in Malaysia. At the outset, the JV will pioneer a mortgage guarantee programme ("MGP") for both conventional and Shariah-compliant mortgage loans originated by financial institutions in Malaysia.

The strategic partnership will leverage on the synergy between the HKMC's expertise and track record in pioneering mortgage insurance business in Hong Kong and Cagamas' knowledge of the Malaysian and Islamic markets. The plan is for the MGP to commence operation in early 2008.

By providing mortgage guarantee cover to loan originators on a portfolio basis, the MGP would offer an effective tool for banks and other financial institutions in Malaysia to better manage the credit risk exposure from their mortgage lending business. This mortgage guarantee arrangement will also help to develop the secondary mortgage market and also promote homeownership in Malaysia.

With the successful launch of the MGP in Malaysia, the JV company will look for opportunities to develop mortgage guarantee businesses in other markets in Asia and the Islamic housing finance markets.

"I feel particularly pleased that the rapport and common vision shared

by the HKMC and Cagamas have now crystallised in the form of a strategic partnership to enhance the safety of mortgage financing in the region. The resounding success of the HKMC's Mortgage Insurance Programme since its inception in 1999 has clearly demonstrated that the business model provides a win-win solution that benefits homebuyers, mortgage lenders, regulators and the financial market," said Mr Peter Pang, Executive Director of the HKMC.

"We look forward to working with the HKMC to capitalise on the opportunities in the market. The longer vision is that our partnership will stretch to more joint developments of other mortgage business possibilities for us in Malaysia and also the ASEAN region as well. Cagamas will continue to be at the forefront in developing the financial and capital markets," said Dato' Ooi Sang Kuang, Chairman of Cagamas Berhad.

Mr James H. Lau, Jr., Chief Executive Office of the HKMC added, "With the formation of this joint venture partnership with Cagamas, the HKMC is embarking on a new phase in its strategic move to broaden its business horizon beyond Hong Kong. We are happy to share our experience in developing mortgage insurance and secondary mortgage market with our counterparts not only in Malaysia but also other markets. As we diversify overseas, we will be gaining new experience that will help the Corporation to better serve the banking sector and homebuyers in Hong Kong."

"We recognise great opportunities for mortgage guarantee business regionally beyond Malaysia, particularly in the Islamic housing finance markets. Cagamas intends to capitalise on its forte in structuring Islamic financial solutions to develop mortgage guarantee products for these markets, in line to promote Malaysia as an international Islamic finance centre." added Mr Steven Choy, President and Chief Executive Officer of Cagamas.

The Hong Kong Mortgage Corporation Limited
20 December 2007

Boiler Plates

About HKMC

The Hong Kong Mortgage Corporation Limited was incorporated in March 1997 as a public company with limited liability under the Companies Ordinance of Hong Kong. The Corporation is wholly owned by the Hong Kong Government through the Exchange Fund and is designated as a "public sector entity" under the Banking Ordinance of Hong Kong. The HKMC has also been approved by the Insurance Authority of Hong Kong as an Authorised Insurer under the Insurance Companies Ordinance.

The major business activities of the Corporation comprise purchasing mortgage loans and other types of assets in Hong Kong and other countries, issuance of debt securities in local and overseas capital markets, and securitising its portfolio via the issuance of mortgage-backed securities to investors. The Corporation is also the first institution to introduce the mortgage insurance product to Hong Kong in March 1999. Its Mortgage Insurance Programme plays a major role in alleviating the down payment burden of homebuyers to as low as 5% and protecting the banks against the risk of borrower default above 70% of the value of the property.

The HKMC is the first triple-A rated institution in Hong Kong and its long-term foreign and local currency debt ratings are Aaa (stable outlook) from Moody's and AA (positive outlook) from Standard & Poor's respectively.

About Cagamas

Cagamas Berhad, the National Mortgage Corporation, was established in 1986 to promote the secondary mortgage market in Malaysia. Cagamas has, through the years, evolved and diversified its business model from that of a national mortgage corporation seeking to aid Malaysians with affordable housing, to becoming a leader in securitisation. It issues debt securities to finance the purchase of housing loans and other consumer receivables from financial institutions, selected corporations and the Government. The provision of liquidity at a reasonable cost to the primary lenders of housing loans encourages further financing of houses at an affordable cost.

Since incorporation in 1987, Cagamas has cumulatively issued RM209.9 billion of Conventional and Islamic debt securities to purchase housing loans, industrial property loans, hire-purchase, housing mortgages, industrial property loans, leasing debts and credit card receivables from the financial institutions on a full-recourse basis.