THE HONG KONG MORTGAGE CORPORATION LIMITED

NOTE ISSUANCE PROGRAMME

Press Release

The Hong Kong Mortgage Corporation Limited ("HKMC") is pleased to announce the launch of 3-year notes of HK$ 500 million under its HK$20 Billion Note Issuance Programme ("NIP"). The new issue will carry a coupon of 4.28% (payable semi-annually) and the tender date will be 28 August 2001 (Tuesday). The key terms and conditions and timetable for the issue are set out in Annex 1.

The issue will be divided into two portions for allocation in the primary market. A portion with a size of HK$250 to 400 million, will be restricted for competitive bidding by the Recognized Dealers under the tendering mechanism administered by the Hong Kong Monetary Authority ("HKMA") for Exchange Fund paper and Specified Instruments (including NIP notes). A separate portion of HK$100 to 250 million will be set aside for non-competitive bidding by retail investors.

This is the fourth NIP issue with a retail tranche. The objective of this initiative is to further enhance the HKMC's fund-raising capabilities by broadening its investor base to include retail investors. It is also aimed at promoting the development of an active retail bond market in Hong Kong through providing an efficient platform for the public to invest in and trade the NIP Notes. Retail investors may submit their applications for the new issue by using Application Form or through banks, brokers or the Central Clearing and Settlement System (the "CCASS") under the Electronic Initial Public Offer method. The HKMC has appointed Dao Heng Bank and Hang Seng Bank as the receiving banks for the application forms and has appointed Dao Heng Bank as the underwriter to underwrite up to HK$100 million in principal amount of the retail portion of the NIP notes.

The commencement date for retail investors to apply for the NIP notes is 21 August 2001. Applicants are required to return the application forms to the 13 designated branches of Dao Heng Bank and 12 designated branches of Hang Seng Bank (see Annex 2) by 12:00 noon on 24 August 2001 or to give electronic instructions through the CCASS by 3:45 p.m. on 24 August 2001.

Retail investors need only specify the amount they apply for in their application. The application amount for each retail investor is subject to a minimum denomination of HK$50,000 and a maximum limit of HK$10 million, in multiples of HK$50,000. The NIP notes will be allocated to them at the average accepted price of the successful bids of the Recognized Dealers in the competitive tender. If there is an over-subscription, allocation will be done through a combination of pro-rata allocation and balloting.

The trading of NIP notes is in scripless form. Transactions traded on the Stock Exchange of Hong Kong will be settled through CCASS.

Retail investors who are interested in subscribing for the NIP notes can obtain the prospectus, the supplemental prospectus and an application form from the offices of the HKMC, specified offices of Hong Kong Securities Clearing Company Limited , the designated branches of Dao Heng Bank and Hang Seng Bank (see Annex 2), and the HKMC's website at www.hkmc.com.hk. A technical brief on the NIP notes is attached at Annex 3. Investors are also welcome to make enquiries through the HKMC Telephone Hotline at 2536 0103 or through the HKMC's e-mail address at "bonds@hkmc.com.hk".

The Hong Kong Mortgage Corporation Limited
20 August 2001

Annex 1

THE HONG KONG MORTGAGE CORPORATION LIMITED

Terms and Conditions and Timetable for the NIP 3-year 4.28% Notes due 30 August 2004

(A) Issuing Terms and Conditions

Issuer	:	The Hong Kong Mortgage Corporation Limited
Issuer's Credit Ratings	:	Long-term, local-currency issuer ratings Aa3 (Moody's) / AA- (S&P)
Stock Code	:	4311
Series	:	S310 HKMC NIP Notes
Issue Size	:	HK$500 million (i) HK$250 to 400 million for Recognized Dealers (ii) HK$100 to 250 million for retail investors
Coupon	:	4.28% p.a. payable semi-annually
Maturity	:	30 August 2004
Listing	:	Stock Exchange of Hong Kong ("SEHK")

(B) Issuing Timetable

Commencement Date for retail application	:	21 August 2001
Closing Date for retail application	:	24 August 2001
Tender Date	:	28 August 2001
Issue Date	:	29 August 2001
Listing and first trading date on the SEHK	:	30 August 2001

Annex 2

HKMC'S NIP NOTE ISSUE

Designated Branches of Dao Heng Bank Limited and Hang Seng Bank Limited for distribution and collection of Application Forms

DAO HENG BANK

HONG KONG

Head Office	G/F., The Center, 99 Queen's Road Central
Sheung Wan Branch	G/F., 259-265 Des Voeux Road Central
United Centre Branch	1/F., United Centre, 95 Queensway
West Point Branch	G/F., 441 Queen's Road West, West Point
Eastern Branch	G/F., 391 King's Road, North Point
Quarry Bay Branch	Shop A, G/F., 1063 King's Road, Quarry Bay

KOWLOON

Tsimshatsui Branch	Shop A, G/F., 30-32 Cameron Road
Mongkok Branch	G/F., 742-744 Nathan Road, Mongkok
Kwun Tong Branch	G/F., 54-58 Mut Wah Street, Kwun Tong
Kowloon Bay Branch	Shop No. 9, Chevalier Commercial Centre, 8 Wan Hoi Road, Kowloon Bay
Shamshuipo Branch	G/F., 173-177 Cheung Sha Wan Road, Shamshuipo

NEW TERRITORIES

Tsuen Wan Branch	G/F., 281 Sha Tsui Road, Tsuen Wan
Yuen Long Branch	G/F., 1-5 Tai Tong Road, Yuen Long

HANG SENG BANK

HONG KONG

Head Office	83 Des Voeux Road Central
Central District Branch	Basement, Central Building, Pedder Street
Causeway Bay Branch	28 Yee Wo Street
Wanchai Branch	200 Hennessy Road

KOWLOON

Kowloon Main Branch	618 Nathan Road
Tsimshatsui Branch	18 Carnarvon Road

Yaumati Branch	363 Nathan Road
Kwun Tong Branch	70 Yue Man Square
Pei Ho Street Branch	151 Pei Ho Street

NEW TERRITORIES

Chung On Street Branch	38 Chung On Street
Shatin Branch	Shop No. 18 Lucky Plaza
Yuen Long Branch	93 Castle Peak Road, Yuen Long

Annex 3

THE HONG KONG MORTGAGE CORPORATION LIMITED

HK$500 Million 3-year 4.28% Notes

due 30 August 2004

Technical Brief

What are HKMC's NIP Notes ("NIP Notes" or "Notes")?

- They represent unsubordinated and unsecured debt issued by The Hong Kong Mortgage Corporation Limited ("HKMC") under its HK$20 Billion Note Issuance Programme ("NIP").

- The NIP is arranged by the Hong Kong Monetary Authority ("HKMA") and has been established since January 1998.

- HKMA will cease to act as the Arranger of the NIP with effect from 1 September 2001. This will not affect any Notes issued before such cessation.

- Since October 1999, the HKMC had listed the NIP and 10 issues of total issued amount of HK$5 billion under the NIP on the Stock Exchange of Hong Kong ("SEHK").

Why to issue a retail tranche for the NIP Notes?

- This issue is the fourth NIP issue with a retail tranche. The previous three issues were welcomed by the retail investors.

- To improve the HKMC's fund-raising capabilities by broadening its investor base to include retail investors.

- To make use of the efficient and convenient platform provided by the SEHK for retail investors to invest in and trade the Notes.

What are the benefits of investing in HKMC's Notes ("HKMC Notes")?

- HKMC Notes are a stable investment that provides steady interest income - the HKMC is wholly owned by the Exchange Fund but the HKMC Notes are unsecured and are not guaranteed by the HKSAR Government.

- HKMC Notes carry a relatively higher yield than Exchange Fund Notes ("EFNs") of the same maturity.

- HKMC Notes have greater liquidity than time deposits because of the availability of a secondary market.

- HKMC Notes are flexible to be invested in with a small minimum denomination ($50,000) and low transaction costs.

- Prices of HKMC Notes may fall as well as rise.

What are the key terms of the upcoming Note Issue?

Stock code	4311
Series	S310
Issue Amount	HK$500 million
Retail tranche	*HK$100 to 250 million*
Recognized Dealers tranche	*HK$250 to 400 million*
Issue Date	29 August 2001
Maturity Date	30 August 2004
Coupon Rate	4.28% p.a., payable semi-annually
Annualised Yield	4.33% p.a. (at price = 100.00%)
Denomination	HK$50,000
Listing	The Stock Exchange of Hong Kong Limited

Is the issue rated?

- The HKMC has obtained long-term, local-currency issuer credit ratings at Aa3 (Moody's) and AA- (Standard & Poor's).

- The S310 series NIP Note issue will also carry a specific issue rating of Aa3 (Moody's).

Why has HKMC appointed an underwriter for the retail tranche?

- The HKMC has appointed Dao Heng Bank as underwriter for the retail portion (HK$100 million to HK$250 million) of the issue.

- With their extensive retail banking network and customer base, Dao Heng Bank has the capability to assist in launching the NIP Notes to retail investors.

What is the timetable for public subscription for the upcoming Note Issue?

Action Item	**DATE**
Opening of retail application period	21 August 2001 (Tuesday)
Closing of retail application period	24 August 2001 (Friday)
Deadline for withdrawal of retail applications	27 August 2001 (Monday)
Tender date	28 August 2001 (Tuesday)
Listing and first trading date on SEHK	30 August 2001 (Thursday)

How can retail investors apply for the upcoming Note Issue?

Retail investors may apply for the Notes by using:

a) Application Form; or
b) Electronic Initial Public Offer method through brokers, banks or the Central Clearing and Settlement System ("CCASS").

Hong Kong Securities Clearing Company Limited ("Hongkong Clearing") as a Recognized Dealer will act on behalf of retail investors to submit their applications (non-competitive tenders) to the HKMA.

(a) Application by using an application form

i) investors can obtain the Prospectus, the Supplemental Prospectus, and application form from the offices of Hongkong Clearing and the HKMC, and designated branches of Dao Heng Bank and Hang Seng Bank (the Receiving Banks) or download copies from HKMC's website at www.hkmc.com.hk;

ii) completed application forms together with a cheque payable to "Hang Seng (Nominee) Limited – HKMC HK$20 Billion NIP" and crossed "Account Payee Only" for the application amount should be submitted to the designated branches of Dao Heng Bank or Hang Seng Bank before 12:00 noon on 24 August 2001.

(b) Application by the Electronic IPO method

i) retail investors may give their application instructions and make payment electronically through CCASS terminals of a **stockbroker**;

ii) through a custodian **bank** which has an account with CCASS (see attached List I);

iii) through **CCASS directly** - call the CCASS Phone System to enter your instructions on your touch-tone telephone (available to existing CCASS Investor Participants only); or

iv) deadline for EIPO applications is 3:45 p.m. on 24 August 2001.

Tender results and allotments of Notes for the retail tranche will be announced on 29 August 2001 in the South China Morning Post, the Hong Kong Economic Journal, and the Hong Kong Economic Times.

The Notes are scripless and retail investors' interests in the Notes are recorded electronically in CCASS - retail investors must therefore credit their Notes to their own CCASS Investor Accounts or their broker/bank's CCASS Participant Accounts. If Noteholders do not make prompt arrangements to have the Notes credited to an account at CCASS, Hongkong Clearing may sell the Notes and remit the proceeds to the Noteholders.

No Multiple Applications

If you make more than one application, whether by giving electronic instructions to CCASS and/or by using an Application Form, only one such application for the highest principal amount of the Notes will be accepted, subject to the maximum principal amount of HK$ 10 million.

What price will retail investors pay for the HKMC NIP Notes?

Application Price: 100.00% of the principal amount of Notes applied for. The principal amount of Notes applied for must be a minimum of HK$50,000 or a whole multiple of HK$50,000. The maximum principal amount of Notes for a single application is HK$10 million.

Subscription Price: Average accepted price ("AAP") of the successful bids made by the Recognized Dealers.

For example, Recognized Dealers bids accepted as follows:

	% of Principal Amount
HK$ 100 million	99.90
HK$ 150 million	99.85
HK$ 150 million	99.75
Average accepted price HK$ 400 million at	99.83
Retail tranche: Investors get Notes at	99.83

$50,000 x 99.83% = $49,915

Difference in Application Price and Subscription Price:

i) refund the relevant part of the application monies if the Application Price (@100.00%) is larger than the Subscription Price (or AAP), or

ii) additional payment is required from successful applicants if Subscription Price (or AAP) is larger than the Application Price (@100.00%)

Hongkong Clearing may sell the Notes to recover the shortfall in application money if the additional payment is not made promptly.

What happens if the Notes are oversubscribed?

Retail investors will get full allotment if the total principal amount of the Notes under the retail applications is less than or equal to the principal amount of Notes allocated for the retail tranche.

If the retail tranche is oversubscribed, the Notes will be allotted by a pro-rata rounded down method, and if necessary, then followed by a ballot:

For example: If the allotment ratio = 50%

Principal Amount of Notes Applied for (HK$)	Principal Amount of Notes Allotted (HK$)
50,000	A ballot chance for 50,000
100,000	50,000
150,000	50,000 (rounded down from 75,000) plus a ballot chance for another 50,000

How can retail investors trade the NIP Notes in the secondary markets?

Exchange trade

- The new issue of Notes will be traded on SEHK under stock code 4311.

- The Notes will be traded in units of HK$100 in principal amount and each trading board lot of the Notes is 500 units (i.e. HK$50,000 in principal amount)

- Notes will be quoted on a price basis -- a percentage of principal amount.

- Minimum bid and ask spread: 0.05%.

- Settlement: Trade date + 2 business days (T+2)

Over-the-counter trade

- An investor should identify a market maker or go through an intermediary to trade the notes.

What will be the factors affecting the market price of NIP Notes and where can investors obtain information about the current yield level?

After the tender date, the price of the Notes will fluctuate with the changes in interest rates. Generally, the price will rise when there is a fall in interest rates, and vice versa.

Retail investors can find out the current price and yield for Notes through the SEHK's Teletext machine or banks/securities houses.

The following table shows the price vs. yield for the upcoming Issue:

Issue Price	Annualised Yield at Issue
101.00	3.96%
100.80	4.04%
100.60	4.11%
100.40	4.18%
100.20	4.25%
100.00	4.33%
99.80	4.40%
99.60	4.47%
99.40	4.55%
99.20	4.62%
99.00	4.69%

What are the costs for initial subscription of NIP Notes?

- Brokerage Commission: 0.10% of the principal amount of the Notes applied for.

- Stamp Duty: not payable.

- Transaction Levy: not payable.

What are the transaction costs for secondary trading of NIP Notes on the SEHK?

- Minimum Brokerage Commission: the higher of $50 or 0.10% of the transaction amount of the Notes traded.

- Stamp Duty: not payable.

- Transaction Levy: 0.01% of the transaction amount of the Notes traded before 1 September 2001. A transaction levy of 0.007% and a trading fee of 0.005% of the transaction amount of the Notes traded will be chargeable with effect from 1 September 2001.

How can investors get more information about the HKMC NIP Notes?

The Prospectus for the NIP and the Supplemental Prospectus for the Notes are available for collection at the following places:

i) The Hong Kong Mortgage Corporation Limited
ii) Hong Kong Securities Clearing Company Limited
iii) Dao Heng Bank – designated branches
iv) Hang Seng Bank - designated branches

For further information:

HKMC Telephone hotline:	(852) 2536 0103
HKMC Website:	www.hkmc.com.hk
HKMC E-mail:	bonds@hkmc.com.hk

LIST I

List of banks having an account with CCASS

ABN AMRO BANK N.V.	KWANGTUNG PROVINCIAL BANK
AMERICAN EXPRESS BANK LTD	LIU CHONG HING BANK LTD
ASIA COMMERCIAL BANK LTD	LLOYDS TSB BANK PLC
BANGKOK BANK PUBLIC CO LTD	NANYANG COMMERCIAL BANK LTD
BANK AUSTRIA AG	OVERSEA-CHINESE BANKING CORPORATION LTD
BANK CONSORTIUM TRUST CO LTD	OVERSEAS TRUST BANK LTD
BANK OF AMERICA (ASIA) LTD	OVERSEAS UNION BANK LTD
BANK OF CHINA	PO SANG BANK LTD
BANK OF COMMUNICATIONS TRUSTEE LTD	SCHRODER INVESTMENT MANAGEMENT (HONG KONG) LTD
BNP PARIBAS	SHANGHAI COMMERCIAL BANK LTD
BOOM SECURITIES (H.K.) LTD	SIN HUA BANK LTD
BUTTERFIELD TRUST (HONG KONG) LTD	STANDARD CHARTERED BANK
CHEKIANG FIRST BANK LTD	THE BANK OF BERMUDA LTD
CHIYU BANKING CORPORATION LTD	THE BANK OF EAST ASIA LTD
CITIBANK N.A	THE BANK OF NOVA SCOTIA
CREDIT AGRICOLE INDOSUEZ	THE BANK OF TOKYO-MITSUBISHI LTD
D.A.H. PRIVATE BANK LTD	THE CHASE MANHATTAN BANK
DAH SING BANK LTD	THE CHINA AND SOUTH SEA BANK LTD
DAO HENG BANK LTD	THE CHINA STATE BANK LTD
DBS KWONG ON BANK LTD	THE DEVELOPMENT BANK OF SINGAPORE LTD
DEUTSCHE BANK AG	THE GOVERNOR AND COMPANY OF THE BANK OF SCOTLAND
FIRST PACIFIC BANK LTD	THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD
FORTIS BANK ASIA HK	THE HONGKONG CHINESE BANK LTD
HANG SENG BANK LTD	THE NATIONAL COMMERCIAL BANK LTD
HSBC BANK USA	UNITED CHINESE BANK LTD
HSBC INVESTMENT BANK ASIA LTD	UNITED OVERSEAS BANK LTD
HUA CHIAO COMMERCIAL BANK LTD	WING HANG BANK LTD
ING BANK N.V.	WING LUNG BANK LTD
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LTD	YIEN YIEH COMMERCIAL BANK LTD
KINCHENG BANKING CORPORATION	