Press Release

The Hong Kong Mortgage Corporation Limited

The Hong Kong Mortgage Corporation (HKMC) announced the following today (1 June 1999):

Mortgage Insurance Programme

The Company signed the Master Mortgage Reinsurance Policy with Asia Insurance Limited. Together with PMI Mortgage Insurance Co. and Hang Seng Insurance, the HKMC has appointed 3 Approved Reinsurers to provide reinsurance for the Mortgage Insurance Programme. Under the Programme, the HKMC provides mortgage insurance to the Approved Sellers for an amount up to 15% of the value of the property to enable homebuyers to secure mortgage loans up to 85% LTV ratio. The HKMC hedges the exposure of the mortgage insurance by taking out reinsurance with the Approved Reinsurers.

The Mortgage Insurance Programme continues to be well received by the homebuyers. As of 31 May 1999, 521 applications have been received from 18 Approved Sellers, involving a total mortgage amount of HK$1,097 mn and a total insured amount of HK$201 mn. Secondary property accounts for over 90% of the applications received so far which indicates that the Programme has served to improve the liquidity of the secondary property market. Some statistics on the mortgage insurance applications received by the HKMC since the inception of the Programme are at Annex A.

Fixed Rate Mortgages

Starting today (1 June 1999), the HKMC buys fixed rate mortgages with fixed terms of 1 year and 2 years in addition to the 3-year tenor currently available under the Fixed Rate Mortgage Programme. The applicable rates are as follow:

1- year 8.25%

2-year 8.50%

3-year 8.75%

The mortgage rates on fixed rate mortgages will be adjusted from time to time by the HKMC taking into account changes in its funding cost and market conditions. Once committed by the borrower, the interest rate will be fixed for the relevant time period. All Approved Sellers of the HKMC that have signed the Fixed Adjustable Rate Mortgage Programme Agreement with the Corporation can offer the products to their customers.

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Annex A

Mortgage Insurance Programme

(As of 31 May 1999)

1. Number of Participating Banks	37
2. Applications Received	
• Number	521
• Total amount of mortgage loans	HK$1,097 mn
• Average size of mortgage loan	HK$2.1 mn
• Total insured amount	HK$201 mn
• LTV ratio	
o 80% or below	18%
o above 80% and up to 85%	82%
3. Applications Approved in Principle by the HKMC	
• Number	433
• Total amount of mortgage loans	HK$905 mn
• Total insured amount	HK$165 mn
4. Types of Property	
• Primary	7%
• Secondary	93%
5. Choice of Premium Payment Method	
• Single Payment	85%
Financed	*75%*
Non-financed	*25%*
• Annual Payment	15%