THE HONG KONG MORTGAGE CORPORATION LIMITED

ISSUANCE OF RETAIL BONDS

Press Release

The Hong Kong Mortgage Corporation Limited ("HKMC") is pleased to announce today (Monday) the launch of the debut issue under a new mechanism that enables retail investors to subscribe for the bonds through banks that are appointed by the Corporation as its placing agents. The HKMC signed the placing bank agreement with Dao Heng Bank, HSBC and Hang Seng Bank at the signing ceremony held this afternoon.

2. The new arrangement has substantially enhanced the issuing mechanism for the benefit of retail investors in the following areas:

(a) **Multiple application channels**: by appointing major retail banks as placing agents, retail investors can make use of the convenient and familiar phone and Internet banking facilities of these banks to subscribe for the retail bonds in addition to applying for the bonds in person in any of the 106 designated branches of the placing banks;

(b) **More choices on tenor and return**: the new mechanism allows the HKMC to offer, under separate tranches of the same issue, bonds in different maturities and yields to suit the needs of individual investors. The coming issue will be divided into two tranches, of 3-year and 5-year maturity, for selection by the retail investors;

(c) **No cap on the issue amount**: the HKMC has only specified a minimum amount of subscription of HK$50 million for each tranche for the issue to proceed. By not setting a cap on the maximum amount per application or the total issue size, the Corporation will have greater flexibility in accommodating the demand of retail investors;

(d) **Assured liquidity through a formal market making arrangement**: the three placing banks are committed to quoting firm bid prices for the retail bonds during business hours until the maturity date. This will ensure that retail investors can liquidate their holdings at any time. To facilitate the placing banks to also quote offer prices, an additional 20% of the total issue amount will be held in reserve for tapping by these banks to meet the demand of retail investors in the secondary market. The placing banks are committed to quoting firm offer prices until the reserve amount is exhausted and will continue to do so on a best efforts basis afterwards; and

(e) **Low transaction cost**: the placing banks will only charge 0.15% for handling the subscription of the retail bonds.

3. The issue will be divided into two tranches and their respective tenor and coupon are as follows:

Tenor	Coupon per annum
3-year	3.5%
5-year	4.3%

The actual subscription price will be determined by reference to the relevant Exchange Fund Notes as specified in the Prospectus.

4. The subscription period will commence on 23 October 2001 and end at 12:00 noon on 1 November 2001. The timetable for the issue is set out in Annex 1. As applicants need to have a bank account and an investment account with the placing banks they intend to instruct, they are encouraged to submit their applications early and not to wait until the closing date of the subscription period. The subscription money will only be deducted from the applicant's account on the closing date.

5. Retail investors who are interested in subscribing for the retail bonds can obtain the prospectus from the offices of the HKMC and the 106 designated branches of the Dao Heng Bank Group, HSBC and Hang Seng Bank (see Annex 2), and the HKMC's website at www.hkmc.com.hk. A technical brief on the new issue mechanism and the retail bonds is attached at Annex 3.

6. Mr. Peter Pang, Chief Executive Officer of the HKMC, said, "the current market conditions are conducive to promoting retail bonds. The new offering mechanism will make the subscription and trading of the bonds more convenient for retail investors. The market-making arrangement will give investors the comfort that they can liquidate the bonds, if the need arises, at any time prior to the maturity date. Offering the bonds in different maturities and yields provides flexibility to meet the different needs of individual investors. By not setting a cap on the individual application amount and the size of the issue, the HKMC will have greater flexibility in accommodating investor demand."

Hong Kong Mortgage Corporation
22 October 2001

Annex 1

THE HONG KONG MORTGAGE CORPORATION LIMITED

HKMC301 3-year 3.50% Notes due November 2004
HKMC501 5-year 4.30% Notes due November 2006

Issuing Timetable

Commencement Date for application	:	23 October 2001 (Tuesday), 9:00 am
Closing Date for application	:	1 November 2001 (Thursday), 12:00 noon
Price-fixing Date	:	5 November 2001 (Monday) at or around 11:30 a.m.
Issue Date	:	7 November 2001 (Wednesday)

Annex 2

HKMC'S NOTE ISSUE

Designated Branches of the Placing Banks for Handling the Applications for HKMC's Retail Notes

(A) DAO HENG BANK GROUP

(i) DAO HENG BANK

Hong Kong

Head Office	G/F., The Center, 99 Queen's Road Central, Hong Kong
Central	Shop A, G/F., Wing On House, 71 Des Voeux Rd. C., Hong Kong
Ice House Street	B1 New Henry House, 10 Ice House Street, Hong Kong
Sheung Wan	259-265 Des Voeux Road Central, Hong Kong
United Centre	1/F., United Centre, 95 Queensway, Hong Kong
Wanchai	Shop A, G/F., Jonsim Place, No.228 Queen's Rd East, Hong Kong
Hennessy Rd	427-429 Hennessy Rd, Hong Kong
Causeway Bay	8 Hysan Avenue, Hong Kong
Happy Valley	23 Shing Wo Rd, Hong Kong
Eastern	G/F., 391 King's Road, North Point, Hong Kong
Electric Rd	128 Electric Rd, North Point, Hong Kong
Quarry Bay	Shop A, G/F., 1063 King's Road, Quarry Bay, Hong Kong
Shaukiwan	G/F., 143-145 Shaukiwan Rd., Hong Kong
Chaiwan	Shop Nos.109-119, G/F., Lok Hin Terrace, 350 Chaiwan Rd, Hong Kong
West Point	G/F., 441 Queen's Road West, West Point, Hong Kong
Kennedy Town	G/F., 93-95 Belcher's St, Hong Kong
South Horizons	Shop G05, G/F., Marina Square East Commercial Centre, South Horizons
Cheung Chau	87-89 Hing Lung St, Hong Kong

Kowloon

Yaumati	131 - 137 Woo Sung Street, Kowloon
Tsimshatsui	Shop A, G/F., 30-32 Cameron Road. Kowloon
Mongkok	G/F., 742-744 Nathan Road, Mongkok, Kowloon
Shamshuipo	G/F., 173-177 Cheung Sha Wan Road, Shamshuipo, Kowloon
Castle Peak Road	362 Castle Peak Road, Kowloon
Hung Hom	71 - 73 Ma Tau Wei Road, Kowloon
Tak Man Street	G/F., On Fu Building, 16 Tak Man St, Hung Hom, Kowloon
Kowloon Tong	Franki Centre, 320 Junction Road, Kowloon
Kowloon Bay	Shop No.9, Chevalier Commercial Centre, 8 Wang Hoi Rd. Kln Bay, Kowloon
Ngau Tau Kok	Shop P, G/F., 167 - 169 Ngau Tau Kok Road, Kowloon

Lok Wah	No.204 Commercial Centre, Lok Wah North Estate, Ngau Tau Kok, Kowloon
Kwun Tong	G/F., 54-58 Mut Wah Street, Kwun Tong, Kowloon
Lam Tin	Shop 2, G/F., 49 Kai Tin Road, Lam Tin, Kowloon

New Territories

Kwai Chung	G/F, 1001 Kwai Chung Road, Kwai Chung, New Territories
Tsuen Wan	G/F., 281 Sha Tsui Road, Tsuen Wan, New Territories
New Town Plaza	Shop Nos. 569 - 570, Level 5, New Town Plaza Phase I, Shatin, New Territories
Chun Shek Estate	No. 10, Shopping Centre, Chun Shek Estate, Shatin, New Territories
Tai Po	G/F, 78 - 80 Po Heung Street, Tai Po, New Territories
TP - Fortune Plaza	Shop 51 & 52, Fortune Plaza, 4 On Chee Road, Tai Po, New Territories
Fanling	G/F, 27 - 29 Luen Hing Street, Luen Wo Market, Fanling, New Territories
Flora Plaza	Shop No. 67 - 71, G/F, Flora Plaza, Fanling, New Territories
Ma On Shan	Shop No. 205-206, Level 2, Ma On Shan Plaza, New Territories
Sheung Shui	G/F, 5 San Tsoi Street, Sheung Shui, New Territories
Tuen Mun	G/F, 90A Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories
Yuen Long	G/F., 1-5 Tai Tong Road, Yuen Long, New Territories
Tin Shui Wai	Shop 23 - 32, Kingswood Richly Plaza, Tin Wu Road, Tin Shui Wai, New Territories

(ii) OVERSEAS TRUST BANK

Hong Kong

Wanchai	G/F, & M/F., 191-193 Johnston Road, Hong Kong
Gloucester Rd	OTB Building, 160 Gloucester Rd, Hong Kong
North Point	G/F., 189-191 King's Rd, Hong Kong
Taikoo Shing	Shop G-406, Ming Kung Mansion, 22 Tai Koo Shing Rd, Hong Kong
Western	G/F & M/F., 51-57 Des Voeux Rd West, Hong Kong
Aberdeen	G/F & Cockloft, 9 Wu Nam St, Hong Kong
Stanley	G/F & Lower Floor, 62 Stanley Main St, Hong Kong

Kowloon

Kowloon	G/F., 524 Nathan Road, Kowloon
Tsimshatsui	G/F., 5 Hanoi Road, Kowloon
Tai Kok Tsui	Shop A1, G/F., Tai Fu Building, 133 Tai Kok Tsui Rd, Kowloon
Mei Foo	Shop N26A, Stage V, Mei Foo Sun Chuen, 10 & 12 Nassau Street, Kowloon
Hung Hom	G/F., 12 - 16 Pak Tai Street, Kowloon
Yue Man Square	Shop 4 & 5, G/F., Mido Mansion, 59 - 61 Yue Man Square, Kwun Tong, Kowloon

New Territories

Tsuen Wan	G/F, 23 Chung On Street, Tsuen Wan, New Territories
Shatin	Shop 5, G/F, Yiu Po Mansion, 37 Tai Wai Road, Shatin, New Territories
Yuen Long	G/F & 1/F, 95 - 97 Castle Peak Road, Yuen Long, New Territories
Kam Tin	G/F, 84 Wing Lung Wai, Kam Tin Road, Kam Tin, New Territories

(B) THE HONGKONG AND SHANGHAI BANKING CORPORATION

Hong Kong

Head Office	1 Queen's Road Central, Hong Kong
Central	29 Queen's Road Central, Hong Kong
128 Queen's Road Central	V Heun Building, 128-140 Queen's Road Central, Central, Hong Kong
Des Voeux Road Central	China Insurance Group Building, 141 Des Voeux Road, Hong Kong
Des Voeux Road West	Western Centre, 40-50 Des Voeux Road West, Hong Kong
Harcourt Road	G/F, Hutchison House, 10 Harcourt Road, Hong Kong
Hay Wah Building	G/F, Hay Wah Building, 71-85B Hennessy Road, Wanchai, Hong Kong
Hysan Avenue	1 Hysan Avenue, Causeway Bay, Hong Kong
North Point	G/F, Winner House, 306-316 King's Road, North Point, Hong Kong
Cityplaza	Unit 065 Cityplaza I, Taikoo Shing, Hong Kong
Aberdeen Centre	Shop 2, G/F, Site 1, Aberdeen Centre, Aberdeen, Hong Kong

Kowloon

Tsim Sha Tsui	82-84 Nathan Road, Tsim Sha Tsui, Kowloon
Kowloon	1/F, Kowloon Hotel, 21 Nathan Road, Tsim Sha Tsui, Kowloon
Mongkok	673 Nathan Road, Mongkok, Kowloon
Festival Walk	Shop LG1-37 Festival Walk, 80 Tat Chee Avenue, Kowloon Tong, Kowloon
Telford Gardens	Shop Units P15-16, Block G, Telford Plaza I, Kowloon Bay, Kowloon
Kwun Tong	No 1, Yue Man Square, Kwun Tong, Kowloon

New Territories

City Landmark	Shop Nos. 117-131, 1/F, City Landmark I, 68 Chung On Street, Tsuen Wan, New Territories
Shatin Centre	Shop No. 30D, Level 3, Shatin Centre Shopping Arcade, Sha Tin, New Territories
Yuen Long	G/F, HSBC Building Yuen Long, 150-160 Castle Peak Road, Yuen Long, New Territories

(C) HANG SENG BANK

Hong Kong

Head Office	83 Des Voeux Road Central, Hong Kong
Central District Branch	Basement, Central Building, Pedder Street, Hong Kong
Causeway Bay Branch	28 Yee Woo Street, Hong Kong
Wanchai Branch	200 Hennessy Road, Hong Kong
Quarry Bay Branch	989 King's Road, Hong Kong
Hennessy Road Branch	417 Hennessy Road, Hong Kong
North Point Branch	335 King's Road, Hong Kong
Yun Ping Road Branch	Shop 13, G/F., Caroline Centre, Yun Ping Road, Hong Kong
Aberdeen Branch	10 Nam Ning Street, Hong Kong

Kowloon

Kowloon Main Branch	618 Nathan Road, Kowloon
Tsimshatsui Branch	18 Carnarvan Road, Kowloon
Yaumati Branch	363 Nathan Road, Kowloon
Kwun Tong Branch	70 Yue Man Square, Kowloon
Hung Hom Branch	21 Ma Tau Wai Road, Kowloon
Mongkok Branch	677 Nathan Road, Kowloon
Telford House Branch	Shop 3B, 1/F.,Telford House, Kowloon
Pei Ho Street Branch	151 Pei Ho Road, Kowloon
Hankow Road Branch	4 Hankow Road, Kowloon
Kowloon Bay Branch	Shop P18, Telford Gardens, Kowloon
Mei Foo Sun Chuen (Nassau Street) Branch	10 Nassau Street, Kowloon

New Territories

Chung On Street Branch	38 Chung On Street, Tsuen Wan, New Territories
Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan, New Territories
Sun Kwai Hing Plaza Branch	Shop B, 2/F, Sun Kwai Hing Plaza, 168 Hing Fong Road, Kwai Chung, New Territories
Tuen Mun Branch	8 Yan Ching Circuit, Tuen Mun, New Territories
Shatin Branch	Shop 18 Lucky Plaza, Wang Pok Street, Shatin, New Territories

Annex 3

THE HONG KONG MORTGAGE CORPORATION LIMITED

HKMC301 3-year 3.50% Notes due November 2004
HKMC501 5-year 4.30% Notes due November 2006

Technical Brief

What are HKMC's Notes?

- They represent senior and unsecured debt issued by The Hong Kong Mortgage Corporation Limited ("HKMC") to retail investors through appointed Placing Banks.

Why does HKMC issue retail bonds?

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

- To promote the development of an active retail bond market in Hong Kong.

- To meet the increasing demand for bonds by retail investors as evidenced by their enthusiastic response to the Corporation's last retail bond issue in August 2001.

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

- HKMC Notes are a **stable investment** that provides steady interest-income – the HKMC is wholly owned by the Exchange Fund and is rated Aa3 by Moody's and AA- by S&P as a long-term, local currency issuer. The HKMC Notes are unsecured and not guaranteed by the HKSAR Government.

- HKMC Notes carry a relatively **higher yield** than Exchange Fund Notes of comparable maturity and the prevailing saving and time deposit rates.

- HKMC Notes have **assured liquidity** as the Placing Banks have agreed with the HKMC to quote firm bid prices for the Notes during business hours until the maturity date. The Corporation has also set aside 20% of

the issue amount for tapping by the Placing Banks to facilitate the quoting of offer prices.

- HKMC Notes are flexible to invest in with a **small minimum denomination** (HK$50,000), **low transaction costs** (0.15% subscription fee) and **different maturities** (3-year and 5-year) to suit the needs of different investors.

- HKMC Notes are **convenient to subscribe** through the 106 designated branches of the three Placing Banks, as well as their phone and Internet banking facilities.

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

What are the key terms of the upcoming Note Issue?

Issue number	HKMC301 ("Tranche A") HKMC501 ("Tranche B")
Issue Amount	Minimum issue amount of each tranche is HK$50 million. By not setting a cap on the size of the issue, the HKMC reserves the right to fix the principal amount of each tranche in the light of valid applications received.
Subscription Period	23 October 2001, 9:00 a.m. to 1 November 2001, 12:00 noon
Issue Date	7 November 2001
Maturity Date	Tranche A: 8 November 2004 Tranche B: 7 November 2006
Coupon Rate	Tranche A: 3.50% p.a., payable semi-annually Tranche B: 4.30% p.a., payable semi-annually
Annualised Yield	Tranche A: 3.531% p.a. (at price = 100.00%) Tranche B: 4.346% p.a. (at price = 100.00%)
Denomination	HK$50,000
Listing	Non-listing

Why has HKMC appointed three Placing Banks for the Notes?

- The HKMC has appointed Dao Heng Bank, The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and Hang Seng Bank as Placing Banks for the issue. All three banks have acted as underwriters for the HKMC's previous issues of retail notes.

- With their extensive retail banking network and customer base, the three Placing Banks have strong capability to distribute the Notes to the retail investors.

- The allocation of Notes through the Placing Banks will enable retail investors to make use of the familiar and highly efficient branch offices as well as the Placing Banks' telephone and Internet banking facilities to subscribe for and to trade the Notes.

How can retail investors apply for the upcoming Note Issue?

- Retail investor intending to subscribe for the HKMC retail notes must already have, or must open, a bank account and also an investment account with Dao Heng Bank or Hang Seng Bank or HSBC (the "Placing Bank"). A retail investor may apply for the Notes through the following methods:

  (a) Application in person through a designated branch of a Placing Bank

  Investors can go to any designated branch of a Placing Bank and give instructions in person to apply for the Notes.

  (b) Application by Internet banking facilities

  Investors can make an on-line application if they already have set up arrangement with a Placing Bank to use its Internet banking facilities.

  (c) Application by phone banking facilities

  Investors can make a telephone application if they already have made an arrangement with Hang Seng Bank or HSBC to use their phone banking facilities.

What price will retail investors pay for the HKMC Notes?

- Upon application of the Notes, investors are required to pay the Application Price, plus a handling fee of 0.15% of the Application Price of the Notes. The actual price investors are required to pay for the Notes allotted is the Subscription Price plus a handling fee of 0.15% of such Subscription Price.

- **Application Price:** An indicative cap price of 102% 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.

- **Subscription Price:** Subscription Price will be the actual purchase price of the specific Notes determined at or around 11:30 a.m. on 5 November 2001. The annualised yield of the Notes will be fixed so as to equal to the annualised yield of the specified Exchange Fund Note ("EFN") of comparable remaining tenor, plus a spread, as follows:

  Annualised yield of Tranche A Note = EFN 3410 offer yield + 0.15%
  Annualised yield of Tranche B Note = EFN 5609 offer yield +0.18%

- Difference in Application Price and Subscription Price:

  i) refund the relevant part of the application monies if the Application Price is larger than the Subscription Price, or

  ii) additional payment is required from successful applicants if Subscription Price is larger than the Application Price.

What is the allocation method?

- If total valid applications for each tranche are more than the amount to be issued (as determined by the HKMC at its discretion), all valid applicants will be allocated a minimum of HK$50,000 in principal amount of the Notes of that tranche. The remaining Notes of that tranche will be allocated on a pro rata basis according to the number of Notes validly applied for (rounded down to the nearest whole Note), and in the case of Notes remaining after rounding, by ballot.

How can retail investors trade the Notes in the secondary market?

- The three Placing Banks have agreed with the HKMC to make a market for the Notes to quote a firm bid price so that investors can sell their holding if needed.

- The Placing Banks have also agreed to quote a firm offer price for the Notes so long as they may request the HKMC to issue additional Note (up to a maximum of 20% of initial issue amount), and thereafter the offer price will be quoted on best efforts basis.

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

- After the issue date, the price of the Notes will vary depending on many factors including, but not limited to, prevailing 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 from the three Placing Banks.

What are the transaction costs to subscribe for and hold the Notes?

- Investors will pay a handling fee of 0.15% of Subscription Price of the Notes allotted to them.

- As the Notes are scripless and the allotted Notes will be credited to the investment account of the investor's chosen Placing Bank, the Placing Banks will charge a fee for opening and operation of an investment account. Investors should consult the Placing Banks for the relevant fee level.

How can investors get more information about the HKMC Notes?

- The Prospectus for the Notes are available for collection at the following places:

  The Hong Kong Mortgage Corporation Limited
  HKMC website: www.hkmc.com.hk

  The designated branches of Dao Heng Bank, Hang Seng Bank and The Hongkong and Shanghai Banking Corporation Limited (Annex 2)

  For further information:

  Enquiry Hotlines

Dao Heng Bank	2961-2345
Hang Seng Bank	2998-9898
The Hongkong and Shanghai Banking Corporation Limited	2233-3636