Opening Remarks by Mr. Tony Latter at the Signing Ceremony for the Appointment of Dao Heng Bank as Underwriter for the Retail Portion of the HKMC's NIP Note S310 20 August 2001

In my capacity as a Director of the Hong Kong Mortgage Corporation, I would like to welcome you all to this signing ceremony.

Since its inception in 1997, HKMC has made significant strides in developing the debt market in Hong Kong. We have issued a total of over HK$ 30 billion of debt securities under the Note Issuance and Debt Issuance Programmes and have thus become the most active corporate issuer of fixed rate debt securities in Hong Kong. Our issuance in the first half of 2001 accounted for 13½% of all new fixed rate issues in that period.

Our Note Issuance Programme has already won a strong following among financial institutions and institutional investors, as evidenced by an average over-subscription rate in 2000 of over eight times.

Within this programme, the Corporation attaches great importance to offering part of certain issues to retail investors. This serves the multiple objectives of broadening the Corporation's investor base, providing the general public with an additional and relatively safe investment choice, and promoting the development of the bond market in Hong Kong.

Indeed, development of the retail bond market is a common aim shared by both the HKMA and the HKMC. The HKMA took the lead when it began offering Exchange Fund Notes for subscription by retail investors in August 1999. The HKMC was the first corporate issuer to follow suit, in October 1999.

The HKMC has itself taken steps in three particular areas to facilitate development of the retail bond market. We have co-operated with the Stock Exchange of Hong Kong to establish a convenient platform for the listing of bonds on the Exchange and their trading by retail investors. Secondly, we have secured the support of some major retail banks to quote two-way prices for HKMC bonds in order to provide liquidity in the secondary market. Last but not the least, we have been cooperating with the Hong Kong Capital Market Association and the media in an educational programme designed to help retail investors understand better the economics and procedures of investing in debt securities.

Thanks partly to such efforts, the portions of our issues which have been reserved for retail investors have all been fully subscribed. I expect the coming issue – which will, I understand, be instantly recognisable to some of you as NIP S310 - to be similarly well received at the retail level. It is, of course, up to each individual to make his or her own judgement about the relative merits of different forms of saving, but I would imagine

there to be considerable numbers who, especially if they are planning to invest for a period of time, and given the probably greater focus on yield comparisons in today's overall low interest rate environment, will be attracted by the particular combination of yield and security which the HKMC is offering. In this context I am also happy to remind you that the strong credit standing of the HKMC has recently been re-affirmed by the rating agencies, which have assigned ratings to the Corporation that are equivalent to those of the Hong Kong SAR Government.

Let me turn now to the real business of this occasion and say how very pleased we are to have secured the support of Dao Heng Bank to underwrite the retail portion of this note issue. That is why we are here at this venue today. Dao Heng Bank has been a staunch supporter of HKMC's debt issuance programmes since 1998. The bank's experience and commitment, aided by its extensive branch network, will, I am sure, be effective in promoting the notes to the general public. I am delighted to be sharing this ceremony with Mr Frank Wong, a Director of the Dao Heng Bank Group, and I now pass the floor to him.