Press Release

The Hong Kong Mortgage Corporation Limited
HK$20,000,000,000 Note Issuance Programme

The Hong Kong Monetary Authority (HKMA) announced today (Monday) that from 1 September 2001 it will cease to be the Arranger for the Note Issuance Programmes (NIP) of The Hong Kong Mortgage Corporation Limited (HKMC), the Airport Authority, Kowloon Canton Railway Corporation and the MTR Corporation Limited.

The HKMC currently has 17 NIP issues with a total outstanding amount of HK$ 10.5 billion. Of which, 5 issues are listed on the Stock Exchange of Hong Kong (SEHK). According to the HKMA's announcement, all of the HKMC's outstanding NIP paper issued before 1 September 2001 will continue to be fungible with the Exchange Fund Bills and Notes until their maturity. The HKMC will continue to maintain the listing of the NIP issues currently listed on the SEHK.

In response to the HKMA's announcement, Mr Peter Pang, Chief Executive Officer of the HKMC, said that "the Corporation understands the need for the HKMA to discontinue the fungibility arrangement for the NIP issues in order to adhere strictly to the Currency Board principles."

"The decision is not expected to have significant long-term adverse effect on the HKMC. The Corporation has already established itself as one of the most active debt issuers in the Hong Kong dollar capital market. The funding capability of the Corporation will be further strengthened by the intended launch of new debt issuance programmes in the near future," he added.

With a total outstanding amount of HK$18.7 billion issued under the NIP and the Debt Issuance Programme (DIP), the HKMC was the most active issuer of Hong Kong dollar fixed rate securities in 2000 and the first quarter of 2001. "Following the HKMA's announcement, the DIP is expected to play a bigger role as the Hong Kong dollar funding vehicle for the Corporation. The Programme has a flexible structure that supports primary issuance through syndication, tender and private placement. The HK$ 5 billion 5-Year DIP issue arranged by the HSBC in April 2001 has clearly demonstrated the ability of the Programme to raise sizable amounts at a low cost. The HKMC will consider increasing the programme size when the total issued amount is approaching the current ceiling of HK$ 20 billion," said Mr. Pang. "In addition, the HKMC is actively preparing for the launch of a multicurrency Medium Term Note Programme and a multicurrency bond style Mortgage-Backed Securitization Programme, which will further strengthen the Corporation's funding capability and broaden its investor base," he added.

The Hong Kong Mortgage Corporation Limited
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