

IMPORTANT

If you are in any doubt about this prospectus you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

Prospectus

Dated: 27 May 2002



The Hong Kong Mortgage Corporation Limited

(a company incorporated in Hong Kong with limited liability under the Companies Ordinance of Hong Kong)

Issue No. HKMC101 2.75 per cent. Notes due June 2003 (“Tranche A Notes”)

Issue No. HKMC202 3.75 per cent. Notes due June 2004 (“Tranche B Notes”)

Issue No. HKMC303 4.35 per cent. Notes due June 2005 (“Tranche C Notes”)

**Issue No. HKMC304E 5.10 per cent. Extendable Notes due June 2005
(extendable to June 2007 at the option of the HKMC) (“Tranche D Notes”)**

The Notes will be issued by The Hong Kong Mortgage Corporation Limited (the “HKMC”). The minimum issue amount of each tranche of Notes is HK\$60,000,000. Bank of China (Hong Kong) Limited (“Bank of China (Hong Kong)”), The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and Standard Chartered Bank (together the “Underwriting Banks”) have, subject to the terms and conditions of an underwriting agreement dated 23 May 2002 among them and the HKMC (the “Underwriting Agreement”), agreed to severally underwrite the issue of the Notes by subscribing for Notes to the extent that public subscription falls short of (i) the minimum issue amount of each tranche of Notes and (ii) an aggregate issue amount of HK\$1,500,000,000 of all the Notes. There is no specified maximum aggregate principal amount of Notes; however, the HKMC reserves the right to fix the principal amount of Notes of each tranche to be issued in the light of valid applications received and its funding requirements. In addition, the HKMC may in future increase the issue amount of any tranche of Notes by making a further public offering or private placement of Notes identical in all respects (other than their issue prices and dates of issue) with the Notes of that tranche now being offered. Also, the HKMC may at any time after the Issue Date (as defined in the section headed “Summary of the Notes being Offered” in this Prospectus) issue additional Notes of any tranche (up to a maximum of 30 per cent. of the principal amount of Notes of that tranche issued on the Issue Date) to support market making arrangements for the Notes. References in this Prospectus to “Notes” are to any or all of the Tranche A Notes, the Tranche B Notes, the Tranche C Notes and the Tranche D Notes (each a “tranche” of Notes).

Applications for Notes will be made only by Bank of China (Hong Kong), Bank of Communications Hong Kong Branch (“Bank of Communications”), The Bank of East Asia, Limited (“The Bank of East Asia”), CITIC Ka Wah Bank Limited (“CITIC Ka Wah Bank”), Dao Heng Bank Limited (“Dao Heng Bank”), HSBC, Hang Seng Bank Limited (“Hang Seng Bank”), International Bank of Asia Limited (“International Bank of Asia”), Nanyang Commercial Bank, Limited (“Nanyang Commercial Bank”), Shanghai Commercial Bank Limited (“Shanghai Commercial Bank”), Standard Chartered Bank and Wing Lung Bank Limited (“Wing Lung Bank”) (each a “Placing Bank” and together, the “Placing Banks”). In order to instruct a Placing Bank to apply for Notes on your behalf, you must already have, or you must open, a bank account and also an investment account with the Placing Bank you intend to instruct. No application form is being issued for the Notes: you must instruct one of the Placing Banks to apply for Notes on your behalf. See the section headed “Custody Arrangements with Placing Banks” in this Prospectus.

Copies of this Prospectus can be obtained, during the subscription period for the Notes, from the places set out in the section headed “Where to Obtain Copies of the Prospectus” in this Prospectus. The Prospectus will also be available on the HKMC’s website — www.hkmc.com.hk, to which the websites of Bank of China (Hong Kong), Bank of Communications, The Bank of East Asia, Dao Heng Bank, HSBC, Hang Seng Bank and Wing Lung Bank have a hyperlink — and on the websites of The Bank of East Asia, Dao Heng Bank, Hang Seng Bank and Standard Chartered Bank.

The total return on the Notes, or yield to maturity, will depend on the subscription price and may be higher or lower than the specified interest rate (on an annualised basis). The subscription price for each tranche of Notes will be fixed so that the annualised yield on the Notes for each tranche is equal to the annualised yield of an identified issue of Exchange Fund Notes of comparable remaining tenor (in the case of the Tranche D Notes, 5-year tenor) or, in the case of the Tranche A Notes, Exchange Fund Bills of comparable remaining tenor, plus a specified margin. The subscription price may be equal to or more than or less than the principal amount and/or the application price of the Notes. See the sections headed “Summary of the Notes being offered” and “How the Subscription Price of the Notes will be fixed” in this Prospectus.

The Notes will not be listed on any stock exchange. Each of the Placing Banks has, subject to certain limitations, agreed to quote prices at which it will buy or sell Notes — see the section headed “Market Making Arrangements” in this Prospectus. These arrangements do not assure an active trading market for the Notes.

Definitive Notes, or certificates representing Notes, will not be issued to individual holders of Notes (except in very limited circumstances). Four permanent global Notes, each representing the total principal amount of a tranche of Notes, will instead be deposited on the issue date of the Notes with the Central Moneymarkets Unit Service (the “CMU”) operated by the Hong Kong Monetary Authority (the “HKMA”). Individual holders of Notes must hold their Notes in an investment account with a participant in the CMU (which must initially be one of the Placing Banks). Most banks and securities dealers in Hong Kong maintain, or have access to, an account with the CMU through which Notes may be held or transferred following issue.

A copy of this Prospectus, together with a copy of the documents specified in paragraph 6 of the section “General Information” in this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance of Hong Kong. The Registrar of Companies in Hong Kong and the Securities and Futures Commission (the “SFC”) take no responsibility as to the contents of this Prospectus or any of the other documents delivered for registration.

Underwriting Banks

Bank of China (Hong Kong)

HSBC

Standard Chartered Bank

Placing Banks

Bank of China (Hong Kong)

Bank of Communications

The Bank of East Asia

CITIC Ka Wah Bank

Dao Heng Bank

HSBC

Hang Seng Bank

International Bank of Asia

Nanyang Commercial Bank

Shanghai Commercial Bank

Standard Chartered Bank

Wing Lung Bank

The Underwriting Banks and the Placing Banks are not persons responsible for, have not authorised the issue of, and have not separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Underwriting Banks or the Placing Banks as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the HKMC in connection with the Notes. The Underwriting Banks and the Placing Banks do not accept liability in relation to the information contained in this Prospectus or any other information provided by the HKMC in connection with the Notes.

Notes are offered to the public solely on the basis of the information contained and representations made in this Prospectus and any supplement to it. No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied by the HKMC in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the HKMC, the Underwriting Banks or the Placing Banks.

Neither this Prospectus nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the HKMC, the Underwriting Banks or the Placing Banks that any recipient of this Prospectus or any other information supplied in connection with the Notes, should purchase any of the Notes. Each investor contemplating purchasing or holding any of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the HKMC.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning the HKMC is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing such information. Investors should review, inter alia, the financial information relating to the HKMC as is publicly available when deciding whether or not to subscribe for, purchase, or hold any of the Notes.

A certificate of exemption relating to this Prospectus has been issued, subject to certain conditions, by the SFC under Section 38A(1) of the Companies Ordinance in respect of Section 38(1) of the Companies Ordinance and paragraphs 6, 15, 17, 23, 26(b), 27, 31 and 34 of the Third Schedule to the Companies Ordinance.

In this Prospectus, references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China.

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WHERE TO OBTAIN COPIES OF THE PROSPECTUS

Applications for Notes will be made only by the Placing Banks. In order to instruct a Placing Bank to apply for Notes on your behalf, you must already have, or you must open, a bank account and also an investment account with the Placing Bank you intend to instruct. No application form is being issued for the Notes: you must instruct one of the Placing Banks to apply for Notes on your behalf. See the section headed "How to Apply for the Notes" in this Prospectus.

Copies of this Prospectus may be collected from:

- (i) **The Hong Kong Mortgage Corporation Limited**
7th Floor Gloucester Tower
11 Pedder Street
Central
Hong Kong

or

- (ii) **Designated Branches of Placing Banks**

The designated branches of each of the Placing Banks are set out on pages 4 to 13 of this Prospectus.

The Prospectus is also available on the HKMC's website — www.hkmc.com.hk, to which the websites of Bank of China (Hong Kong), Bank of Communications, The Bank of East Asia, Dao Heng Bank, HSBC, Hang Seng Bank and Wing Lung Bank have a hyperlink and on the websites of The Bank of East Asia, Dao Heng Bank, Hang Seng Bank and Standard Chartered Bank.

Bank of China (Hong Kong)

Branch Name	Address
<i>Hong Kong Island</i>	
Bank of China Tower Branch	1 Garden Road
409 Hennessy Road Branch	409-415 Hennessy Road, Wanchai
Aberdeen Branch	25 Wu Pak Street, Aberdeen
Central District (Li Po Chun Chambers) Branch	189 Des Voeux Road Central
Chi Fu Landmark Branch	Shop 510, Chi Fu Landmark, Pokfulam
City Garden Branch	233 Electric Road, North Point
Fortress Hill Road Branch	272-276 King's Road, North Point
Harbour Road Branch	26 Harbour Road, Wanchai
Hennessy Road (Wanchai) Branch	310-312 Hennessy Road, Wanchai
Java Road Branch	8 Java Road, North Point
Johnston Road Branch	152-158 Johnston Road, Wanchai
King's Road Branch	131-133 King's Road, North Point
North Point (King's Centre) Branch	193-209 King's Road, North Point
North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay
Queen's Road West (Sheung Wan) Branch	2-12 Queen's Road West, Sheung Wan
Sai Wan Ho Branch	142-146 Shaukeiwan Road, Shaukeiwan
Shaukeiwan Road Branch	289-293 Shaukeiwan Road, Shaukeiwan
Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
Sheung On Street Branch	77 Sheung On Street, Chaiwan
Sheung Wan Branch	238-252 Des Voeux Road Central
South Horizons Branch	Shop 118, Marina Square East Centre, Apleichau
Taikoo Shing (Hoi Shing Mansion) Branch	Shop G1006, Hoi Shing Mansion, Taikoo Shing
Wan Tsui Road Branch	4 Lin Shing Road, Chaiwan
Wanchai (Easey Commercial Building) Branch	253-261 Hennessy Road, Wanchai
Wanchai Branch	395 Hennessy Road, Wanchai
Wyndham Street Branch	1-3 Wyndham Street, Central
<i>Kowloon</i>	
Canton Road Branch	60 Canton Road, Tsim Sha Tsui
2 Carnarvon Road Branch	2-2A Carnarvon Road, Tsim Sha Tsui
28 Carnarvon Road Branch	24-28 Carnarvon Road, Tsim Sha Tsui
31 Tai Yau Street Branch	31 Tai Yau Street, San Po Kong
35 Tai Yau Street Branch	35 Tai Yau Street, San Po Kong
42 Yu Chau Street Branch	42-46 Yu Chau Street, Shamshuipo
47 Ma Tau Wai Road Branch	47-49 Ma Tau Wai Road, Hunghom
177 Ngau Tau Kok Road Branch	177 Ngau Tau Kok Road
183 Cheung Sha Wan Road Branch	183-185 Cheung Sha Wan Road, Shamshuipo
194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Shamshuipo
248 Castle Peak Road Branch	244-248 Castle Peak Road, Cheung Sha Wan
678 Nathan Road Branch	678 Nathan Road, Mongkok
Choi Hung Branch	19 Clear Water Bay Road, Ngau Chi Wan
Choi Hung Road Branch	58-68 Choi Hung Road, San Po Kong
Chuk Yuen Estate Branch	Shop S1, Chuk Yuen Shopping Centre, Chuk Yuen South Estate
Festival Walk Branch	Unit LG149, Festival Walk, Kowloon Tong
Granville Road Branch	67-69 Granville Road, Tsim Sha Tsui
Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
Hunghom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hunghom
Ivy Street Branch	59-61 Ivy Street, Tai Kok Tsui
Kimberley Road Branch	37 Kimberley Road, Tsim Sha Tsui
Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
Lai Chi Kok (Hong Kong Industrial Centre) Branch	A2, G/F., Hong Kong Industrial Centre, 491 Castle Peak Road
Lok Fu Branch	Shop 2, Lok Fu Shopping Centre II, Lok Fu
Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, Tokwawan
Mongkok (President Commercial Centre) Branch	608 Nathan Road, Mongkok
Mongkok (Silvercorp Int'l Tower) Branch	Shop B, 707-713 Nathan Road, Mongkok
Mongkok Road Branch	50-52 Mongkok Road
Nathan Road (Prince Edward) Branch	774 Nathan Road
Nathan Road (Yaumatei) Branch	495-497 Nathan Road, Yaumatei
Nga Tsin Wai Road Branch	25 Nga Tsin Wai Road
Pak Tai Street Branch	4-6 Pak Tai Street, Tokwawan
Prat Avenue Branch	17-19 Prat Avenue, Tsim Sha Tsui
Prince Edward Road (Kowloon City) Branch	382-384 Prince Edward Road, Kowloon City
Prince Edward Road West (Mongkok) Branch	116-118 Prince Edward Road West, Mongkok

Branch Name	Address
Sau Mau Ping Branch	Shops 1-2, Block 24, Sau Mau Ping (2) Estate
Shanghai Street (Prince Edward) Branch	689-693 Shanghai Street, Mongkok
Shanghai Street (Yaumatei) Branch	364-366 Shanghai Street, Yaumatei
Sheung Fung Street Branch	66-68 Sheung Fung Street, Tsz Wan Shan
Site 3 Whampoa Garden Branch	Shop 2, Willow Mansion, Site 3 Whampoa Garden, Hunghom
Stage 2 Mei Foo Sun Chuen Branch	19 Glee Path, Mei Foo Sun Chuen
Stage 6 Mei Foo Sun Chuen Branch	Shops N47-49, Mount Sterling Mall, Mei Foo Sun Chuen
Tai Kok Tsui Branch	73-77 Tai Kok Tsui Road
Tokwawan Road Branch	80N Tokwawan Road
Tokwawan (Mei King Mansion) Branch	245A Tokwawan Road
Tong Mei Road Branch	54-58 Tong Mei Road
Tseuk Luk Street Branch	86 Tseuk Luk Street, San Po Kong
Tsim Sha Tsui (East Ocean Centre) Branch	G19 East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
Tsim Sha Tsui (Houston Centre) Branch	63 Mody Road, Tsim Sha Tsui
Wong Tai Sin Branch	Shop G1, Wong Tai Sin Commercial Centre, Wong Tai Sin
Woosung Street Branch	149-151 Woosung Street
Wuhu Street Branch	105-107 Wuhu Street, Hunghom
Yaumatei Branch	471 Nathan Road, Yaumatei
Yin Hing Street Branch	1 Yin Hing Street, Sanpokong
<i>New Territories</i>	
33 Chung On Street Branch	31-33 Chung On Street, Tsuen Wan
74 Tai Wai Road Branch	74-76 Tai Wai Road, Shatin
136 San Fung Ave Branch	136 San Fung Avenue, Sheung Shui
331 Sha Tsui Road Branch	329-331 Sha Tsui Road, Tsuen Wan
Castle Peak Road (Kwai Chung) Branch	476-478 Castle Peak Road, Kwai Chung
Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long
City One Shatin Branch	Shop A, 16-20 Ngan Shing Commercial Centre, City One, Shatin
Flora Plaza Branch	Shop 28, Flora Plaza, 88 Pak Wo Road, Fanling
Fo Tan Branch	No.2 1/F., Shatin Galleria, 18-24 Shan Mei Street, Fo Tan
Fuk Loi Estate Branch	129-135 Sha Tsui Road, Tsuen Wan
Ha Kwai Chung Branch	192-194 Hing Fong Road, Kwai Chung
Hau Tak Estate Branch	Shop 7, G/F., Hau Tak Shopping Centre, Tseung Kwan O
Kwai Chung Plaza Branch	A18-20, G/F., Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung
Kwai Chung Road Branch	1009 Kwai Chung Road, Kwai Chung
Lek Yuen Branch	No.1 Fook Hoi House, Lek Yuen Estate, Shatin
Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
Luen Wo Market Branch	17-19 Wo Fung Street, Luen Wo Market, Fanling
Maritime Square Branch	Shop 115, Maritime Square, Tsing Yi Island
Sheung Kwai Chung Branch	7-11 Shek Yi Road, Sheung Kwai Chung
Sheung Shui Branch	61 San Fung Avenue, Sheung Shui
Tai Kwong Lane Branch	16-22 Tai Kwong Lane, Tai Po Market
Tai Po Branch	68-70 Po Heung Street, Tai Po Market
Tsuen Wan (Sin Ching Building) Branch	201-207 Castle Peak Road, Tsuen Wan
Tsuen Wan Branch	297-299 Sha Tsui Road, Tsuen Wan
Tsui Lam Estate Branch	Shop 101, Tsui Lam Shopping Centre, Tseung Kwan O
Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun
Yuen Long Branch	102-108 Castle Peak Road, Yuen Long

Bank of Communications

Branch Name	Address
<i>Hong Kong Island</i>	
Hong Kong Branch	20 Pedder Street, Central
Aberdeen Sub-Branch	Shop 1B, G/F., Site 5, Aberdeen Centre, 6-12 Nan Ning Street, Aberdeen
Causeway Bay Sub-Branch	Unit 19, G/F., Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay
Central District Sub-Branch	123-125A Des Voeux Road Central
Chaiwan Sub-Branch	121-121A Wan Chui Road, Chaiwan
Hennessy Road Sub-Branch	368 Hennessy Road, Wanchai
Kennedy Town Sub-Branch	63-65 Belcher's Street, Kennedy Town
King's Road Sub-Branch	67-71 King's Road
North Point Sub-Branch	442-448 King's Road, North Point
Quarry Bay Sub-Branch	C-D, 981 King's Road, Quarry Bay
Siu Sai Wan Sub-Branch	Shop 121, Siu Sai Wan Shopping Centre, Chaiwan
Taikoo Shing Sub-Branch	Shop 38, G/F., City Plaza 2, 18 Taikoo Shing Road
Wanchai Sub-Branch	32-34 Johnston Road, Wanchai
West Point Sub-Branch	327-333 Queen's Road West
<i>Kowloon</i>	
Cheung Sha Wan Plaza Sub-Branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
Hunghom Sub-Branch	1-3 Tak Man Street, Whampoa Estate, Hunghom
Jordan Road Sub-Branch	37U Jordan Road
Kowloon Sub-Branch	563 Nathan Road
Kwun Tong Sub-Branch	Shop A, G/F. & 1/F., 55 Hong Ning Road, Kwun Tong
Lam Tin Sub-Branch	63-65 Kai Tin Road, Lam Tin
Mongkok Sub-Branch	G30-31, Argyle Centre Phase 1, 688 Nathan Road, Mongkok
Ngau Tau Kok Sub-Branch	Shop G1, G/F., Phase 1, Amoy Plaza, 77 Ngau Tau Kok Road
Shamshuipo Sub-Branch	Shop G1, G/F. Golden Centre, 94 Yen Chow Street, Shamshuipo
Tokwawan Sub-Branch	Shops 1-3, G/F., 372 Ma Tau Wai Road
Tseung Kwan O Sub-Branch	Shops 253-255, Metro City Shopping Arcade, Phase 1, Tseung Kwan O
Tsim Sha Tsui Sub-Branch	Shops 1-3, G/F., 22-28 Mody Road, Tsim Sha Tsui
Wong Tai Sin Sub-Branch	Shops 127-129, 1/F., Lung Cheung Mall, 136 Lung Cheung Road, Wong Tai Sin
<i>New Territories</i>	
Fanling Sub-Branch	Shops G02-03, G/F., Wah Sum Shopping Centre, Wah Sum Estate, Fanling
Kwai Chung Sub-Branch	93 Tai Loong Street, Kwai Chung
Kwong Yuen Estate Sub-Branch	Shops 1&2, Commercial Block 2, Kwong Yuen Estate, Shatin
Ma On Shan Sub-Branch	Shop 3038A, Level 3, Sunshine City Plaza, Ma On Shan
Market Street Sub-Branch	53 Market Street, Tsuen Wan
Sha Tsui Road Sub-Branch	G/F., 122-124 Sha Tsui Road, Tsuen Wan
Shatin Sub-Branch	Shop 193, Level 3, Lucky Plaza, Shatin
Sheung Kwai Chung Sub-Branch	Kwai Sing Centre, 1-3 Wo Yi Hop Road, Kwai Chung
Sheung Shui Sub-Branch	Shops 10-14, G/F., Sheung Shui Shopping Arcade, Sheung Shui
Tai Po Sub-Branch	Shop 1, Wing Fai Plaza, 29-35 Ting Kok Road, Tai Po
Tin Shui Wai Sub-Branch	Shop 119, Tin Shing Shopping Centre, Tin Shing Court, Tin Shui Wai
Tsuen Wan Sub-Branch	Shops G10-11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
Tuen Mun Sub-Branch	Block 7, Nin Wong Building, 4 Yan Ching Street, Tuen Mun
Yuen Long Sub-Branch	Man Yu Building, 2 Tai Fung Street, Yuen Long

The Bank of East Asia

Branch Name	Address
<i>Hong Kong Island</i>	
Main Branch	10 Des Voeux Road Central
181 Des Voeux Road Central Branch	G/F., Sun House, 181 Des Voeux Road Central
390 Shaukeiwan Road Branch	390 Shaukeiwan Road, Shaukeiwan
Aberdeen Branch	162-164 Aberdeen Main Road, Aberdeen
Aberdeen Main Road Branch	G/F., 150 Aberdeen Main Road, Aberdeen
Bonham Road Branch	Shops 1-3, Ka Fu Building, 19-27 Bonham Road
Caine Road Branch	Shop C, G/F., Cameo Court, 63-69 Caine Road
Causeway Bay Branch	46 Yee Wo Street, Causeway Bay
Causeway Road Branch	2 Causeway Road, Causeway Bay
Central District Branch	106-108 Des Voeux Road Central
Chaiwan Branch	345 Chaiwan Road, Chaiwan
Connaught Road Central Branch	G/F., Fung House, 19-20 Connaught Road Central
Des Voeux Road Central Branch	31 Des Voeux Road Central
Des Voeux Road West Branch	Shops 5 & 6, G/F., Pacific Plaza, 410-424B Des Voeux Road West
Gloucester Road Branch	G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai
Happy Valley Branch	5-7 Sing Woo Road, Happy Valley
Harbour Road Branch	Shop 1, 1/F., Causeway Centre, 28 Harbour Road, Wanchai
High Net Worth Centre – Hong Kong	27/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai
International Finance Centre Branch	Shop 3016, Level 3, International Finance Centre, 1 Harbour View Street, Central
Jervois Street Branch	G/F., 117-119 Jervois Street, Sheung Wan
Johnston Road Branch	44-46 Johnston Road
Kennedy Town Centre Branch	Shop D, G/F., Kennedy Town Centre, 23 Belcher's Street, Kennedy Town
King's Road Branch	Shop 2, G/F., S.U.P. Tower, 75-83 King's Road, North Point
Lei King Wan Branch	Shops GD33-34, Upper G/F., 25 Tai On Street, Lei King Wan
Lei Tung Estate Branch	Shop 104, G/F., Phase I, Commercial Centre, Lei Tung Estate

Branch Name	Address
Lyndhurst Terrace Branch	G/F., 44 Lyndhurst Terrace, Central
North Point Branch	326-328 King's Road, North Point
Percival Street Branch	G/F., 60 Percival Street, Causeway Bay
Pokfulam Gardens Branch	Commercial Block B, 180 Pokfulam Road
Port Centre Branch	Shop G10, G/F., Port Centre, Chengtu Road, Aberdeen
Quarry Bay Branch	1035 King's Road, Quarry Bay
Quarry Bay Financial Services Centre	G/F., 1005A King's Road, Quarry Bay
Queen's Road East Branch	G/F., Shops B & C, 228 Queen's Road East, Wanchai
Revenue Tower Branch	G/F., Revenue Tower, 5 Gloucester Road, Wanchai
Sai Ying Pun Branch	338-342 Queen's Road West
Shaukeiwan Branch	Shop 3, G/F., Marina Lodge, 368 Shaukeiwan Road
Sheung Wan Branch	G/F., Kwong Lee Building, 23-25 Queen's Road West, Sheung Wan
Siu Sai Wan Branch	Shops 56-62, G/F., Cheerful Garden, 23 Siu Sai Wan Road
Taikoo Shing Branch	Shops G1010-1011, Yiu Sing Mansion, Taikoo Shing
The University of Hong Kong Branch	Room 203, 2/F., Chong Yuet Ming Amenities Centre
Times Square Branch	Shop B207, Basement 2, Times Square, Causeway Bay
Wanchai Branch	314-324 Hennessy Road, Wanchai
Wong Chuk Hang Branch	Vita Tower, 29 Wong Chuk Hang Road
<u>Kowloon</u>	
Amoy Plaza Branch	Shops G178-179, G/F., Amoy Gardens Phase II, 77 Ngau Tau Kok Road
Argyle Street Branch	67 Argyle Street, Mongkok
Cameron Road Branch	G/F., 36 Cameron Road, Tsim Sha Tsui
Castle Peak Road Branch	154 Castle Peak Road
Cheung Sha Wan Road Branch	132-134 Cheung Sha Wan Road
Chuk Yuen Estate Branch	Shop S2, G/F., Chuk Yuen Shopping Centre
Festival Walk Branch	Unit MTR07, Level MTR, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong
Fu Yan Street Branch	83 Fu Yan Street, Kwun Tong
High Net Worth Centre – Kowloon	1/F., Tung Ying Building, 100 Nathan Road, Tsim Sha Tsui
Hoi Fu Shopping Centre Branch	Shop 1, G/F., Shopping Centre, Hoi Fu Court, Tai Kok Tsui
Hoi Yuen Road Branch	Unit 1, G/F., Hewlett Centre, 54 Hoi Yuen Road
Hong Kong Baptist University Branch	Unit G02, G/F., Jockey Club Academic Community Centre, Hong Kong Baptist University, 9 Baptist University Road, Kowloon Tong
Houston Centre Branch	Shop G53, Houston Centre
Hunghom Branch	Shops C & D, G/F., Billion Court, 63 Wuhu Street, Hunghom
Jordan Branch	Shops 6 & 7, G/F., 238 Nathan Road
Kowloon City Branch	G/F., 90 Nga Tsin Wai Road, Kowloon City
Kowloon City Plaza Branch	Shops LG13 & LG15, Lower G/F., Kowloon City Plaza, 128 Carpenter Road, Kowloon City
Kowloon City Road Branch	G/F., 56B & C Kowloon City Road, Tokwawan
Kwun Tong Branch	7 Hong Ning Road
Laguna City Branch	Shop 38, G/F., Commercial Complex, Laguna City
Lai Chi Kok Branch	277-281 Lai Chi Kok Road
Lok Fu Estate Branch	Shop G3, Lok Fu Shopping Centre
Lower Wong Tai Sin Estate Branch	S13, 2/F., Wong Tai Sin Shopping Centre
Ma Tau Wai Road Branch	23-27 Ma Tau Wai Road
Mei Foo Sun Chuen Branch	Shop N57, G/F., Mount Sterling Mall
Mongkok Branch	638-640 Nathan Road
Mongkok North Branch	G/F., Foon Shing Building, 732 Nathan Road
Mongkok South Branch	G/F. & 1/F., Righteous Centre, 585 Nathan Road
Nathan Road Branch	Shop C, G/F., Hua Chiao Commercial Centre, 678 Nathan Road, Mongkok
Nga Tsin Wai Road Branch	78 Nga Tsin Wai Road, Kowloon City
Parke Street Branch	G/F., 57-59 Parkes Street, Jordan
Pau Chung Street Branch	Shop D, 154-160 Pau Chung Street, Tokwawan
San Po Kong Branch	65 Shung Ling Street
Shamshuipo Branch	Shops 1-4, G/F., Lai Kwan Court, 438 Castle Peak Road
Tai Hang Sai Branch	1-3 Tai Hang Tung Road
Tai Hang Tung Branch	13 Woh Chai Street
Tai Po Road Branch	18 Tai Po Road, Shamshuipo
Tokwawan Branch	267 Tokwawan Road
Tsim Sha Tsui Branch	12 Granville Road
Tsz Wan Shan Branch	1 Yuk Wah Crescent
Waterloo Road Branch	Shop A, G/F., Richland House, 77B & 77C Waterloo Road, Homantin
Whampoa Garden Branch	Shops 1-3, G/F., Site 9, Whampoa Garden, Hunghom
Yaumati Branch	Shops 1 & 2, G/F., Hydan Place, 228 Shanghai Street, Yaumatei
Yue Man Square Branch	G/F., 4 Yue Man Square, Kwun Tong
<u>New Territories</u>	
Airport Branch	Unit 5T104, Level 5, Arrival Hall, Hong Kong International Airport, Lantau Island
Airport Freight Forwarding Centre Branch	Unit 3, 3/F., Commercial Building, Airport Freight Forwarding Centre, 2 Chun Wan Road, Chek Lap Kok, Lantau Island
Cheung Chau Branch	G/F., 73 Tai Sun Street, Cheung Chau
Chung Fu Shopping Centre Branch	Shop 204, 2/F., Chung Fu Shopping Centre, Tin Shui Wai
Chung On Estate Branch	Shop 132, 1/F., Shopping Centre, Chung On Estate, Ma On Shan
Dragonair House Branch	Room G01, Dragonair House, 11 Tung Fai Road, Hong Kong International Airport, Lantau Island
Fanling Branch	Shops B & C, 39-41 Wo Fung Street, Luen Wo Hui
Fu Tung Estate Branch	Shop 11, G/F., Shopping Centre, Fu Tung Estate, Tung Chung, Lantau Island
Ha Kwai Chung Branch	202 Hing Fong Road

Branch Name	Address
Ka Fuk Estate Branch	Shop 111, 1/F., Shopping Centre, Ka Fuk Estate, Fanling
Kwong Fuk Estate Branch	Shop 15, G/F., Kwong Yan House, Kwong Fuk Estate, Tai Po
Kwong Fuk Road Branch	G/F., 94-96 Kwong Fuk Road, Tai Po
Lee On Estate Branch	Shop LG203, L/G 2, Shopping Centre, Lee On Estate, Ma On Shan
Lingnan University Branch	Shop MBG 14, Main Building, Lingnan University, 8 Castle Peak Road, Tuen Mun
Metro City Plaza Branch	Shop 1079, Level 1, Metro City Plaza II, 8 Yan King Road, Tseung Kwan O
Ming Tak Estate Branch	Shop 15, G/F., Shopping Centre, Ming Tak Estate, Tseung Kwan O
Peng Chau Branch	G/F., 1D Wing On Street, Peng Chau
Sam Shing Estate Branch	1/F., Commercial Complex, Sam Shing Estate, Tuen Mun
Sha Tsui Road Branch	G/F., 313 Sha Tsui Road, Tsuen Wan
Shatin New Town Branch	Shops 726-730, Level 7/F., New Town Plaza Phase 1, Shatin
Shatin Plaza Branch	Shop 4, Level 1, Shatin Plaza
Shek Yam Road Branch	G/F., 100-102 Shek Yam Road, Kwai Chung
Sheung Kwai Chung Branch	44-46 Shek Yam Road, Kwai Chung
Sheung Shui Branch	Shops 1018-19, L1, Sheung Shui Centre Shopping Arcade, 3 Chi Cheong Road, Sheung Shui
Silvermine Bay Branch	Shop A2, Silver Centre Building, Silvermine Bay, Lantau Island
Sun Chui Estate Branch	Shop 12, G/F., Commercial Centre, Sun Chui Estate, Shatin
Tai O Branch	G/F., 6-8 Market Street, Tai O, Lantau Island
Tai Po Branch	62-66 Po Heung Street, Tai Po Market, Tai Po
Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza, Tai Po
Tai Wai Branch	16-18 Tai Wai Road, Cheung Fung Mansion, Shatin
The Hong Kong Institute of Education Branch	Room AG-10, Administration Building, The Hong Kong Institute of Education, 10 Lo Ping Road, Tai Po
Tsing Yi Garden Branch	Shops 9-11, G/F., Tsing Yi Garden, Tsing Yi
Tsuen Wan Branch	241 Sha Tsui Road, Tsuen Wan
Tsuen Wan Market Street Branch	G/F., 43A Market Street, Tsuen Wan
Tuen Mun Branch	Shop G16, G/F., Eldo Court Shopping Centre, Tuen Mun
Yuen Long Branch	77 Castle Peak Road, Yuen Long
Yuen Long Main Road Branch	G/F., 172 Yuen Long Main Road, Yuen Long

CITIC Ka Wah Bank

Branch Name	Address
	<i>Hong Kong Island</i>
Main Branch	232 Des Voeux Road Central
Aberdeen Branch	196 Aberdeen Main Road
Causeway Bay Branch	451-453 Hennessy Road
Central Branch	G/F., Lansing House, 43-45 Queen's Road Central
North Point Branch	Shop B3, G/F., Hang Ying House, 318-328 King's Road
Quarry Bay Branch	G/F., Westlands Gardens, 1025 King's Road, Quarry Bay
Queen's Road West Branch	G/F., Sun On Building, 488 Queen's Road West, Western District
Wanchai Branch	164-166 Hennessy Road, Wanchai
Wealth Management Centre-Taikoo Place	Shops 5 & 6D, G/F, Hoi Kwong Court, 9-15 Tong Chong Street, Quarry Bay
	<i>Kowloon</i>
Homantin Branch	84B-C, Waterloo Road
Hunghom Branch	46 Wuhu Street
Jordan Branch	G/F., 42 Pilkem Street
Kowloon City Branch	142 Nga Tsin Wai Road
Kwun Tong Branch	6 Yue Man Square
Lai Chi Kok Road Branch	308 Lai Chi Kok Road
Mongkok Road Branch	48 Mongkok Road
Shanghai Street Branch	520A-522 Shanghai Street
Tokwawan Branch	406 Ma Tau Wai Road
Tsim Sha Tsui Branch	Shops 3&4, G/F., Mass Resources Development Building, 12-16 Humphreys Avenue, Tsim Sha Tsui
	<i>New Territories</i>
Shatin Centre Branch	Shops 52C, 52F & 53A, Level 3, Shatin Centre, 2-16 Wang Pok Street, Shatin
Sheung Shui Branch	138 San Fung Ave, Sheung Shui
Tai Wai Branch	G/F., Shop B, Yuet On Building, 49-53 Tai Wai Road, Shatin
Tsuen Wan Castle Peak Road Branch	281-283 Castle Peak Road, Tsuen Wan
Tsuen Wan Chung On Street Branch	G/F., Chau Wan Building, 27 Chung On Street, Tsuen Wan
Tuen Mun Branch	Shops 4-5, G/F., Ming Wai Building, 18-20 Heung Sze Wui Road, Tuen Mun
Yuen Long Branch	G/F., Cheung Yu Building, 143-145 Castle Peak Road, Yuen Long

Dao Heng Bank Group

For the purposes of the giving of instructions by investors to apply for the Notes through Dao Heng Bank, the designated branches of Dao Heng Bank shall include the designated branches of Dao Heng Bank and Overseas Trust Bank, Limited (“**Overseas Trust Bank**”). Investors who have already opened a bank account and an investment account with Dao Heng Bank or Overseas Trust Bank may give their application instructions to either bank as if they were the same bank for such purposes.

Dao Heng Bank

Branch Name	Address
	<u>Hong Kong Island</u>
Head Office	G/F., The Center, 99 Queen’s Road Central
Causeway Bay Branch	8 Hysan Avenue
Central Branch	Shop A, G/F., Wing On House, 71 Des Voeux Road Central
Chaiwan Branch	Shops 109-119, G/F., Lok Hin Terrace, 350 Chaiwan Road
Eastern Branch	G/F., 391 King’s Road, North Point
Electric Road Branch	128 Electric Road, North Point
Happy Valley Branch	23 Sing Woo Road
Hennessy Road Branch	427-429 Hennessy Road, Causeway Bay
Ice House Street Branch	B1, New Henry House, 10 Ice House Street
Kennedy Town Branch	G/F., 93-95 Belcher’s Street
Quarry Bay Branch	Shop A, G/F., 1063 King’s Road, Quarry Bay
Shaukeiwan Branch	G/F., 143-145 Shaukeiwan Road
Sheung Wan Branch	259-265 Des Voeux Road Central, Sheung Wan
South Horizons Branch	Shop G05, G/F., Marina Square East Commercial Centre, South Horizons
United Centre Branch	1/F., United Centre, 95 Queensway
Wanchai Branch	Shop A, G/F., Jonsim Place, 228 Queen’s Road East
West Point Branch	G/F., 441 Queen’s Road West, West Point
	<u>Kowloon</u>
Castle Peak Road Branch	362 Castle Peak Road
Hunghom Branch	71-73 Ma Tau Wei Road
Kowloon Bay Branch	Shop 9, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay
Kowloon Tong Branch	Franki Centre, 320 Junction Road
Kwun Tong Branch	G/F., 54-58 Mut Wah Street, Kwun Tong
Lam Tin Branch	Shop 2, G/F., 49 Kai Tin Road, Lam Tin
Lok Wah Branch	Shop 204 Commercial Centre, Lok Wah North Estate, Ngau Tau Kok
Mongkok Branch	G/F., 742-744 Nathan Road, Mongkok
Ngau Tau Kok Branch	Shop P, G/F., 167-169 Ngau Tau Kok Road
Shamshuiipo Branch	G/F., 173-177 Cheung Sha Wan Road, Shamshuiipo
Tak Man Street Branch	G/F., On Fu Building, 16 Tak Man Street, Hunghom
Tsim Sha Tsui Branch	Shop A, G/F., 30-32 Cameron Road
Yaumati Branch	131-137 Woo Sung Street
	<u>New Territories</u>
Cheung Chau Branch	87-89 Hing Lung Street, Cheung Chau
Chun Shek Estate Branch	Shop 10, Shopping Centre, Chun Shek Estate, Shatin
Fanling Branch	G/F., 27-29 Luen Hing Street, Luen Wo Market, Fanling
Flora Plaza Branch	Shops 67-71, G/F., Flora Plaza, Fanling
Kwai Chung Branch	G/F., 1001 Kwai Chung Road, Kwai Chung
Ma On Shan Branch	Shops 205-206, Level 2, Ma On Shan Plaza
New Town Plaza Branch	Shops 569-570, Level 5, New Town Plaza Phase I, Shatin
Sheung Shui Branch	G/F., 5 San Tsoi Street, Sheung Shui
Tai Po Branch	G/F., 78-80 Po Heung Street, Tai Po
Tin Shui Wai Branch	Shops 23-32, Kingswood Richly Plaza, Tin Wu Road, Tin Shui Wai
TP-Fortune Plaza Branch	Shops 51 & 52, Fortune Plaza, 4 On Chee Road, Tai Po
Tsuen Wan Branch	G/F., 281 Sha Tsui Road, Tsuen Wan
Tuen Mun Branch	G/F., 90A Tuen Mun Heung Sze Wui Road, Tuen Mun
Yuen Long Branch	G/F., 1-5 Tai Tong Road, Yuen Long

Overseas Trust Bank

Branch Name	Address
	<u>Hong Kong Island</u>
Aberdeen Branch	G/F. & Cockloft, 9 Wu Nam Street
Gloucester Road Branch	6/F., OTB Building, 160 Gloucester Road
North Point Branch	G/F., 189-191 King’s Road
Taikoo Shing Branch	Shop G-406, Ming Kung Mansion, 22 Taikoo Shing Road
Wanchai Branch	G/F., 191-193 Johnston Road
Western Branch	G/F., 51-57 Des Voeux Road West
	<u>Kowloon</u>
Hunghom Branch	G/F., 12-16 Pak Tai Street
Kowloon Branch	G/F., 524 Nathan Road
Mei Foo Branch	Shop N26A, Stage V, Mei Foo Sun Chuen, 10 & 12 Nassau Street
Tai Kok Tsui Branch	Shop A1, G/F., Tai Fu Building, 133 Tai Kok Tsui Road
Tsim Sha Tsui Branch	G/F., 5 Hanoi Road
Yue Man Square Branch	Shops 4 & 5, G/F., Mido Mansion, 59-61 Yue Man Square, Kwun Tong
	<u>New Territories</u>
Shatin Branch	Shop 5, G/F., Yiu Po Mansion, 37 Tai Wai Road, Shatin
Tsuen Wan Branch	G/F., 23 Chung On Street, Tsuen Wan
Yuen Long Branch	G/F. & 1/F., 95-97 Castle Peak Road, Yuen Long

HSBC

Branch Name	Address
	<u>Hong Kong Island</u>
Head Office	1 Queen's Road Central
128 Queen's Road Central Branch	V Heun Building, 128-140 Queen's Road Central
Aberdeen Centre Branch	Shop 2, G/F., Site I, Aberdeen Centre, Aberdeen
Causeway Bay Branch	1/F., Causeway Bay Plaza Two, 463-483 Lockhart Road, Causeway Bay
Cityplaza Branch	Unit 065, Cityplaza I, Taikoo Shing
Des Voeux Road Central Branch	China Insurance Group Building, 141 Des Voeux Road Central
Des Voeux Road West Branch	Western Centre, 40-50 Des Voeux Road West
Harcourt Road Branch	G/F., Hutchison House, 10 Harcourt Road
Hay Wah Building Branch	G/F., Hay Wah Building, 71-85B Hennessy Road, Wanchai
North Point Branch	G/F., Winner House, 306-316 King's Road, North Point
The Westwood Branch	LG01-3, LG/F., The Westwood, 8 Belcher's Street
	<u>Kowloon</u>
Festival Walk Branch	Shops LG1-37, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong
Kowloon Branch	1/F., Kowloon Hotel, 21 Nathan Road, Tsim Sha Tsui
Kwun Tong Branch	1 Yue Man Square, Kwun Tong
Mongkok Branch	673 Nathan Road, Mongkok
Telford Gardens Branch	Shop Units P15-16, Block G, Telford Plaza I, Kowloon Bay
Tsim Sha Tsui Branch	82-84 Nathan Road, Tsim Sha Tsui
	<u>New Territories</u>
City Landmark Branch	Shops 117-131, 1/F., City Landmark I, 68 Chung On Street, Tsuen Wan
Shatin Centre Branch	Shop 30D, Level 3, Shatin Centre Shopping Arcade, Shatin
Yuen Long Branch	G/F., HSBC Building Yuen Long, 150-160 Castle Peak Road, Yuen Long

Hang Seng Bank

Branch Name	Address
	<u>Hong Kong Island</u>
Head Office	83 Des Voeux Road Central
Aberdeen Centre Branch	10 Nam Ning Street
Causeway Bay Branch	28 Yee Woo Street
Central District Branch	Basement, Central Building, Pedder Street
Hennessy Road Branch	417 Hennessy Road
North Point Branch	335 King's Road
Quarry Bay Branch	989 King's Road
Wanchai Branch	200 Hennessy Road
	<u>Kowloon</u>
Kowloon Main Branch	618 Nathan Road
Hankow Road Branch	4 Hankow Road
Hunghom Branch	21 Ma Tau Wai Road
Kowloon Bay Branch	Shop P18, Telford Gardens
Kwun Tong Branch	70 Yue Man Square
Mei Foo Sun Chuen (Nassau Street) Branch	10 Nassau Street
Mongkok Branch	677 Nathan Road
Pei Ho Street Branch	151 Pei Ho Street
Telford House Branch	Shop 3B, 1/F., Telford House, 16 Wang Hoi Road
Tsim Sha Tsui Branch	18 Carnarvon Road
Yaumatei Branch	363 Nathan Road
	<u>New Territories</u>
Chung On Street Branch	38 Chung On Street, Tsuen Wan
Shatin Branch	Shop 18, Lucky Plaza, Wang Pok Street, Shatin
Sun Kwai Hing Plaza Branch	Shop B, 2/F., Sun Kwai Hing Plaza, 168 Hing Fong Road, Kwai Chung
Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan
Tuen Mun Branch	8 Yan Ching Circuit, Tuen Mun

International Bank of Asia

Branch Name	Address
	<u>Hong Kong Island</u>
Central Main Branch	G/F., IBA Building, 38 Des Voeux Road, Central
Causeway Bay Branch	G/F., Island Building, 439-445 Hennessy Road
Causeway Bay WMC	M/F., Island Building, 439-445 Hennessy Road, Causeway Bay
Chaiwan Branch	Shops 82, 83, 85 & 86 LG/F., Koway Plaza, 111 Chaiwan Road
Happy Valley Branch	G/F., Rosedale Garden, 25-27 Sing Woo Road
Kennedy Town Branch	Shop B, G/F., Man Kwong Court, 12F-12G, Smithfield
North Point Branch	Shop 2, G/F., Tsing Wan Building, 334-336 King's Road, North Point
Queen's Road East Branch	Shop 2, G/F., Wu Chung House, 213 Queen's Road East
Taikoo Shing Branch	Units 3-4, Cityplaza II, Taikoo Shing
Wanchai Branch	G/F., 113 Wanchai Road
	<u>Kowloon</u>
Cheung Sha Wan Branch	Shops D & E, G/F., Wing Lung Building, 220-240A Castle Peak Road
Hunghom Branch	Shop A3, G/F., 13 Tak Man Street, Wong Po Sun Tsuen, Hunghom
Jordon Road Branch	Shop A, G/F., Ka Woo Building, 131-137 Woo Sung Street
Mongkok Branch	G/F., President Commercial Center, 602 Nathan Road
Ngau Tau Kok Branch	Shop K, G/F., Kwun Tong Lap Shing Building, 325 Ngau Tau Kok Road

Branch Name**Address**

Richland Garden Branch
Shamshuipo Branch
Tsim Sha Tsui Branch
Mei Foo Branch

Shops 111-112 & 117-118, Richland Gardens, Commercial Complex, Wang Kwong Road
G/F., Nam Pont Mansion, 128-136 Nam Cheong Street
G/F., Grand Right Center, 10-10A Cameron Road, Tsim Sha Tsui
G/F., 26B Nassau Street

New Territories

Shatin Branch
Tai Po Branch
Tai Wai Branch
Tsuen Wan Branch
Tsuen Wan WMC
Tuen Mun Branch
Yuen Long Branch

Shop 31L, Shatin Center, 2-16 Wang Poh Street, Shatin
Shop 28, G/F., Jade Plaza, On Chee Road, Tai Po
Shop 6, G/F., Kam Shan Building, 21 Tai Wai Road, Tai Wai
2/F., Wing On Mansion, 22-28 Tai Ho Road, Tsuen Wan
G/F. & 1/F., Wing On Mansion, 22-28 Tai Ho Road, Tsuen Wan
Shop11, G/F., Mei Hang Building, 15-45 Kai Man Path, Tuen Mun
G/F., Hing Fat House, 9 Kau Yuk Rd, Yuen Long

Nanyang Commercial Bank**Branch Name****Address***Hong Kong Island*

Head Office
Aberdeen Branch
Causeway Bay Branch
Causeway Centre Branch
Central District Branch
Des Voeux Road West Branch
Happy Valley Branch
Kennedy Town Branch
North Point Branch
Quarry Bay Branch
Sai Wan Ho Branch
Sheung Wan Branch
Sunning Road Branch
Wanchai Branch
Western Branch

151 Des Voeux Road Central
171 Aberdeen Main Road, Aberdeen
472 Hennessy Road, Causeway Bay
Shop 16, Causeway Centre, 28 Harbour Road, Wanchai
56 Wellington Street, Central
334 Des Voeux Road West
29 Wong Nei Chong Road, Happy Valley
86 Belcher's Street, Kennedy Town
351 King's Road, North Point
1014 King's Road, Quarry Bay
63 Shaukeiwan Road, Sai Wan Ho
21 Connaught Road West, Sheung Wan
8 Sunning Road, Causeway Bay
123 Johnston Road, Wanchai
128 Bonham Strand East, Sheung Wan

Kowloon

Ferry Point Branch
Homantin Branch
Hungohm Branch
Jordan Road Branch
Kowloon City Branch
Kwun Tong Branch
Laguna City Branch
Lai Chi Kok Road Branch
Mongkok Branch
Nathan Road Branch
Peninsula Centre Branch
San Po Kong Branch
Shamshuipo Branch
Tokwawan Branch
Tsim Sha Tsui Branch
Tsun Yip Street Branch
Yaumatei Branch

2 Man Yuen Street, Yaumatei
71A Waterloo Road, Homantin
69A Wuhu Street, Hungohm
20 Jordan Road
86 Nga Tsin Wai Road, Kowloon City
60 Yue Man Square, Kwun Tong
Shop 26, Laguna Plaza, Cha Kwo Ling Road
236 Lai Chi Kok Road, Lai Chi Kok
727 Nathan Road, Mongkok
570 Nathan Road, Mongkok
G48 Peninsula Centre, Tsim Sha Tsui East
G/F., 41-45 Yin Hing Street, San Po Kong
198-200 Tai Po Road, Shamshuipo
62 Tokwawan Road, Tokwawan
35 Hankow Road, Tsim Sha Tsui
48 Tsun Yip Street, Kwun Tong
309 Nathan Road, Yaumatei

New Territories

Ha Kwai Chung Branch
Kwai Chung Branch
Luk Yeung Sun Chuen Branch
Sai Kung Branch
Shatin Branch
Sheung Shui Branch
Tai Po Branch
Tsuen Wan Branch
Tuen Mun Branch
Yuen Long Branch

180 Hing Fong Road, Kwai Chung
100 Lei Muk Road, Kwai Chung
P2A-C, 1/F., Luk Yeung Galleria, 22-26 Wai Tsuen Road, Tsuen Wan
Shops 11-12, Sai Kung Garden, Man Nin Street, Sai Kung
Shops 7-8, G/F., Lucky Plaza, Shatin
31 Fu Hing Street, Sheung Shui
71 Po Heung Street, Tai Po
78 Chung On Street, Tsuen Wan
G/F., Forward Mansion, Yan Ching Circuit, Tuen Mun
Tung Yik Building, Tai Tong Road, Yuen Long

Shanghai Commercial Bank**Branch Name****Address***Hong Kong Island*

Head Office
Aberdeen Branch
Hennessy Road Branch
North Point Branch
Paterson Street Branch
Shaukeiwan Branch
West Point Branch

12 Queen's Road Central
118 Aberdeen Main Road, Aberdeen
Shop LG16, C.C.Wu Building, 302 Hennessy Road, Wanchai
486 King's Road, North Point
8A Kingston Street, Causeway Bay
136 Shaukeiwan Main Street, East
47 Catchick Street, West Point

Kowloon

Mei Foo Sun Chuen (Stage 4)
Branch
Mongkok Branch
San Po Kong Branch

83B Broadway, Mei Foo Sun Chuen, Lai Chi Kok
666 Nathan Road
28 Hong Keung Street, San Po Kong

Branch Name	Address
Shamshuipo Branch Tsim Sha Tsui Branch	141 Cheung Sha Wan Road, Shamshuipo G/F., 7 Hankow Road, Tsim Sha Tsui
<i>New Territories</i>	
Kwai Chung Branch Shatin Branch Tseung Kwan O Branch	Shop 3, 482 Castle Peak Road, Hutchison Estate, Kwai Chung Shop 70B, Level 3, Shatin Centre, Wang Pok Street, Shatin Shops G1-2, G/F., Metro City Plaza III, The Metropolis, 8 Mau Yip Road, Tseung Kwan O
Tsuen Wan Branch	Shop 3B, Level 1, Discovery Park Commercial Centre, 398 Castle Peak Road, Tsuen Wan
Tuen Mun Branch Yuen Long Branch	Shop 4A, Level Two (South Wing), Trend Plaza, Tuen Mun 17 Hong Lok Road, Yuen Long

Standard Chartered Bank

Branch Name	Address
<i>Hong Kong Island</i>	
Aberdeen Branch ClG Building Branch Causeway Bay Branch Cityplaza Branch Des Voeux Road Branch Exchange Square Branch	Shop 4A, G/F., Aberdeen Centre, Aberdeen Shop B, G/F., China Insurance Group Building, 141 Des Voeux Road Central 1 Sugar Street, Causeway Bay Shops 042-043, G/F., Cityplaza Phase II 4-4A, Des Voeux Road, Central Automated Banking Centre Shops 301-302, 3/F., One Exchange Square, 8 Connaught Place, Central
Hennessy Road Branch Landmark Branch Leighton Centre Branch New Jade Garden Branch North Point Centre Branch Pacific Place Automated Banking Centre Branch	399 Hennessy Road, Wanchai Shops 135 & 138-141, 1/F., Edinburgh Tower, Landmark, 15 Queen's Road Central Shops 12-16, UG/F., Leighton Centre, 77 Leighton Road, Causeway Bay Shops 101 & 145, Level 1, New Jade Shopping Arcade, Chaiwan 284 King's Road, North Point Unit 355, Level 3, Pacific Place, 88 Queensway
Quarry Bay Branch Queen's Road Central Branch Queensway Plaza Branch Shaukeiwan East Branch Shek Tong Tsui Branch Sheung Wan Branch Taikoo Place Branch Tai On Building Branch Wanchai Branch Wanchai Great Eagle Branch Wanchai Southorn Branch	Westlands Gardens, 1027 King's Road, Quarry Bay G/F., Wah Yuen Building, 145-149 Queen's Road Central Shops B12-16, Queensway Plaza, 93 Queensway 118-124 Shaukeiwan Main Street East, Shaukeiwan Shops 8-12, G/F., 455-485 Queen's Road West Centre Mark, 287-299 Queen's Road, Central Shops A&B, G/F., King's House 969 King's Road 85-87 Shaukeiwan Road, Shaukeiwan 3 Fleming Road, Wanchai Shops 113-117, 1/F., Great Eagle Centre, 23 Harbour Road, Wanchai Shops 3&4, G/F., Shanghai Industrial Investment Building, 50-52 Hennessy Road, Wanchai
<i>Kowloon</i>	
Amoy Plaza Branch Canton Road Branch Cheung Sha Wan Road Branch Dragon Centre Branch	Shops 81-83 & 96-97, G/F., Amoy Plaza, 77 Ngau Tau Kok Road G/F. & 1/F., Manley House, 86-98 Canton Road, Tsim Sha Tsui 828 Cheung Sha Wan Road, Cheung Sha Wan Automated Banking Centre Shop G01, G/F., Dragon Centre, 37K Yen Chow Street, Shamshuipo
Fung Wong Village Branch Hunghom Branch Hunghom Commercial Centre Branch	6 Sheung Fung Sreet, Fung Wong Village G/F, 255 & 257 Tokwawan Road, Hunghom Shops 33-37, G/F., Hunghom Commercial Centre, Hunghom
Jordan Branch Kowloon Bay Branch Kowloon City Branch Kwun Tong Branch Kwun Tong Plaza Branch	Shops G3, G4 & G5, G/F., London Plaza, 219 Nathan Road Shop 1, G/F., Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay G/F., 76 Nga Tsin Wai Road, Kowloon City 1A Yue Man Square, Kwun Tong Automated Banking Centre, Shops G9-14, G/F., Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
Lai Chi Kok Road Branch Lok Fu Shopping Centre Branch Mei Foo Stage I Branch Mongkok Bank Centre Branch Mongkok Ka Lok Building Branch	Shops D&E, G/F., Carprio Mansion, 1 Lai Chi Kok Road Shops S25-S27, 2/F., Lok Fu Shopping Centre G/F., 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok 630-636 Nathan Road, Mongkok G/F. & 1/F., Ka Lok Building, 720, 720A & 722 Nathan Road, Mongkok
New Mandarin Plaza Branch	Shops 12 -19, G/F., New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East
Oi Man Branch Oterprise Square Branch San Po Kong Branch Sceneway Plaza Branch Telford Gardens Tseung Kwan O Branch Tsim Sha Tsui Branch Waterloo Road Branch Whampoa Estate Branch Yaumatei Branch	G/F., Oi Man Commercial Complex, Oi Man Estate, Homantin Shop 3, G/F. and Shop 1, 1/F., Oterprise Square, 26 Nathan Road, Tsim Sha Tsui 10-20 Ning Yuen Street, San Po Kong Shops 4A2-7, Level 3, Sceneway Plaza, Lam Tin Shop P9, Telford Centre, Telford Gardens, Tai Yip Street, Kowloon Bay Shop 107, 1/F., Hau Tak Shopping Centre, Hau Tak Estate, Tseung Kwan O G/F., 10 Granville Road, Tsim Sha Tsui Shop A3, G/F., Pine Manor, 61-63 Waterloo Road Shops 6E, 36-60F Tak Man Street, Phase 4, Whampoa Estate, Hunghom 546-550 Nathan Road, Yaumatei

Branch Name**Address**

Branch Name	Address
	<i>New Territories</i>
Chung On Street Branch	Shop A, G/F., Chau Hop Shing Building, 8 Chung On Street, Tsuen Wan
City One Shatin Branch	Shops 30-33, G/F., Ngan Shing Commercial Centre, City One Shatin
Eightland Garden Branch	Shop 21, G/F., Eightland Gardens, Tai Po
Fo Tan Branch	Bank No. 3, 1/F., Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin
Kwai Chung Branch	Shops 26B, 26C&26D, G/F., Tak Cheong Building, 1001 Kwai Chung Road, Kwai Chung
Kwai Chung Plaza Branch	Shops A25-A28, G/F., Kwai Chung Plaza, Kwai Chung
Kwai Fong Branch	Shops 3 & 11, G/F., Kwai Kin House, Kwai Fong Estate, Kwai Chung Road
Ma On Shan Branch	231 - 234, Level 2, Ma On Shan Plaza, Ma On Shan
Maritime Square Branch	Shop 153, Level 1, Maritime Square, Tsing Yi
Nan Fung Centre Branch	Shops A120-A121, 1/F., Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan
Sai Kung Branch	1-5 Wan King Path, Sai Kung
Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin
Shatin Plaza Branch	Automated Banking Centre, Shop 17B, Level 3, Shatin Plaza, Shatin
Sheung Shui Branch	55 San Fung Avenue, Shek Wu Hui, Sheung Shui
Tai Po Branch	23 & 25 Kwong Fuk Road, Tai Po Market, Tai Po
Tai Wai Branch	Shop 90, G/F., Tai Wai Road, Tai Wai
Tin Shui Wai Branch	Shop 103, 1/F., Tin Yiu Commercial Centre, Tin Yiu Estate, Tin Shui Wai, Yuen Long
Tsuen Wan Branch	B1/F., Emperor Plaza, 263 Sha Tsui Road, Tsuen Wan
Tuen Mun Branch	Portions of Shops G & H and the whole of Shops I & F, G/F., Forward Mansion, 26A Yan Ching Street, Tuen Mun
Tuen Mun Town Plaza Branch	Shops G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun
Wo Yi Hop Road Branch	Shops 1&2, G/F., Lee Wo Building, 124-128 & 132-136 Wo Yi Hop Road, Kwai Chung
Yuen Long Branch	140 Yuen Long Main Road, Yuen Long
Yuen Long, Kuk Ting Branch	G/F., 79 Castle Peak Road, Yuen Long

Wing Lung Bank**Branch Name****Address**

Branch Name	Address
	<i>Hong Kong Island</i>
Head Office	45 Des Voeux Road Central
Aberdeen Branch	201 Aberdeen Main Road, Aberdeen
Causeway Bay Branch	45 Jardine's Bazaar, Causeway Bay
Central District Branch	112 Queen's Road Central
Convention Plaza Branch	1 Harbour Road, Wanchai North
Happy Valley Branch	44 King Kwong Street, Happy Valley
Johnston Road Branch	118 Johnston Road, Wanchai
Kennedy Town Branch	28 Catchick Street, Kennedy Town
North Point Branch	361 King's Road, North Point
Percival Street Branch	62 Percival Street, Causeway Bay
Quarry Bay Branch	1A Westlands Road, Quarry Bay
Sai Wan Ho Branch	123 Shaukeiwan Road, Sai Wan Ho
Wanchai Branch	383 Hennessy Road, Wanchai
Western District Branch	262 Queen's Road West
	<i>Kowloon</i>
Grand Century Place Branch	193 Prince Edward Road West, Mongkok
Hunghom Branch	28 Wuhu Street, Hunghom
Jordan Branch	123 Woo Sung Street, Jordan
Kowloon Bay Branch	19 Lam Lok Street, Kowloon Bay
Kwun Tong Branch	339 Ngau Tau Kok Road, Kwun Tong
Lai Chi Kok Road Branch	17 Lai Chi Kok Road, Lai Chi Kok
Mongkok Branch	Bank Centre, 636 Nathan Road, Mongkok
Nam Cheong Street Branch	85 Nam Cheong Street, Shamshuipo
San Po Kong Branch	8 Shung Ling Street, San Po Kong
Shamshuipo Branch	111 Tai Po Road, Shamshuipo
Tokwawan Branch	64 Tokwawan Road, Tokwawan
Tsim Sha Tsui Branch	4 Carnarvon Road, Tsim Sha Tsui
Tsz Wan Shan Branch	25 Fung Tak Road, Tsz Wan Shan

New Territories

Discovery Park Branch	398 Castle Peak Road, Tsuen Wan
Fanling Branch	15 Luen Hing Street, Fanling
Kwai Chung Branch	128 Wo Yip Hop Road, Kwai Chung
Shatin Branch	8 Tai Wai Road, Shatin
Sheung Shui Branch	128 San Fung Avenue, Sheung Shui
Tai Po Branch	1 On Chee Road, Tai Po
Tsuen Wan Branch	251 Sha Tsui Road, Tsuen Wan
Tuen Mun Branch	42 Tuen Mun Heung Sze Wui Road, Tuen Mun
Yuen Long Branch	37 On Ning Road, Yuen Long

The HKMC's Website

The Prospectus is also available on the HKMC's website — www.hkmc.com.hk, to which the websites of Bank of China (Hong Kong), Bank of Communications, The Bank of East Asia, Dao Heng Bank, HSBC, Hang Seng Bank and Wing Lung Bank have a hyperlink and on the websites of The Bank of East Asia, Dao Heng Bank, Hang Seng Bank and Standard Chartered Bank.

Enquiry Hotlines

The following telephone numbers are the hotlines of each of the Placing Banks for enquiries in relation to how to give application instructions for the Notes:

Bank of China (Hong Kong)

Telephone Number	Service Hours	
2291 8000	Monday - Friday	9:00 a.m. to 11:00 p.m.
	Saturday	9:00 a.m. to 6:00 p.m.
	Sunday and public holidays	Closed

Bank of Communications

Telephone Number	Service Hours	
2885 4771	Monday - Friday	9:00 a.m. to 5:00 p.m.
	Saturday	9:00 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

The Bank of East Asia

Telephone Number	Service Hours	
2211 1333	Monday - Friday	9:00 a.m. to 5:00 p.m.
	Saturday	9:00 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

CITIC Ka Wah Bank

Telephone Number	Service Hours	
2287 6767	Monday - Friday	9:00 a.m. to 8:00 p.m.
	Saturday	9:00 a.m. to 6:00 p.m.
	Sunday and public holidays	Closed

Dao Heng Bank

Telephone Number	Service Hours	
2961 2380	Monday - Friday	9:00 a.m. to 6:00 p.m.
	Saturday	9:00 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

HSBC

Telephone Number	Service Hours	
2269 2121	Monday - Sunday (including public holidays)	24-hours

Hang Seng Bank

Telephone Number	Service Hours	
2998 9898	Monday - Friday	8:30 a.m. to 6:00 p.m.
	Saturday	8:30 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

International Bank of Asia

Telephone Number	Service Hours	
2842 6262	Monday - Friday	9:00 a.m. to 6:00 p.m.
	Saturday	9:00 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

Nanyang Commercial Bank

Telephone Number	Service Hours	
2202 8500	Monday - Friday	9:00 a.m. to 11:00 p.m.
	Saturday	9:00 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

Shanghai Commercial Bank

Telephone Number	Service Hours	
2207 2823	Monday - Friday	9:00 a.m. to 6:00 p.m.
	Saturday	9:00 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

Standard Chartered Bank

Telephone Number	Service Hours	
2886 6277	Monday - Friday	9:00 a.m. to 5:30 p.m.
	Saturday	9:00 a.m. to 12:30 p.m.
	Sunday and public holidays	Closed

Wing Lung Bank

Telephone Number	Service Hours	
2529 8866/2771 0011	Monday - Friday	8:30 a.m. to 6:30 p.m.
	Saturday	8:30 a.m. to 1:30 p.m.
	Sunday and public holidays	Closed

SUMMARY OF THE NOTES BEING OFFERED

This Prospectus is issued in respect of an offer of the Tranche A Notes, the Tranche B Notes, the Tranche C Notes and the Tranche D Notes. The principal terms of the Notes are summarised below.

The Issue No. for each Tranche of Notes:	HKMC101 for Tranche A Notes HKMC202 for Tranche B Notes HKMC303 for Tranche C Notes HKMC304E for Tranche D Notes
Subscription Period:	9:00 a.m. 28 May 2002 (Tuesday) — 12:00 noon 7 June 2002 (Friday)
Price-fixing Date:	11 June 2002 (Tuesday) (the “ Price-fixing Date ”)
Issue Date:	13 June 2002 (Thursday) (the “ Issue Date ”)
Application Price:	The application price of each tranche is 102 per cent. of the principal amount of the Notes (the “ Application Price ”). The Application Price has been set at a level which is intended to facilitate subscription and allotment logistics and is not intended to reflect any expectation as to the Subscription Price of the Notes of any tranche.
Subscription Price:	The subscription price of each tranche (the “ Subscription Price ”) will be expressed as a percentage of the principal amount of the Notes of that tranche and will be determined on the Price-fixing Date so that the Notes of that tranche will have an annualised yield equal to the annualised yield of an identified issue of Exchange Fund Notes (“ EFN ”) of comparable remaining tenor, (in the case of the Tranche D Notes, 5-year tenor) or, in the case of the Tranche A Notes, an identified issue of Exchange Fund Bills (“ EFB ”) of comparable remaining tenor, plus a specified margin, as follows: Annualised Yield of Tranche A Notes = EFB Y290 offer yield + 0.10 per cent. Annualised Yield of Tranche B Notes = EFN 2405 offer yield + 0.12 per cent. Annualised Yield of Tranche C Notes = EFN 3504 offer yield + 0.15 per cent. Annualised Yield of Tranche D Notes = EFN 5703 offer yield + 0.20 per cent.

where the determination will be made by reference to the relevant EFN or, as the case may be, EFB, offer yields as quoted at 11:30 a.m. on the Price-fixing Date on Reuters Pages EFHL, EFHN, EFHO, EFHP and EFHQ. If the annualised yield of an identified issue of EFN or, as the case may be, EFB, is not available, the Calculation Agent (as defined in the section headed “Terms and Conditions of the Notes” in this Prospectus) and the HKMC jointly shall have the discretion to select the relevant EFN or, in respect of the Tranche A Notes, EFB, for price-fixing purposes.

The Subscription Price may be equal to or more or less than the Application Price. See the sections headed “How to Apply for the Notes” and “How the Subscription Price of the Notes will be fixed” in this Prospectus.

Handling Fee:	The Placing Bank to which you give your instructions to apply for the Notes will charge you a handling fee of 0.15 per cent. of the Subscription Price of Notes which are allotted to you.
Application Amount:	Upon application for the Notes, you are required to pay an amount equal to the Application Price, plus a handling fee of 0.15 per cent. of the Application Price of the Notes you apply for (the “ Application Amount ”). See the table set out under the section headed “How to Apply for the Notes” in this Prospectus.
Subscription Amount:	The actual amount you are required to pay for the Notes allotted to you is equal to the Subscription Price of the relevant Notes plus a handling fee of 0.15 per cent. of the Subscription Price (the “ Subscription Amount ”). The Subscription Amount may be equal to or more or less than the Application Amount. If the Subscription Amount is more than the Application Amount, you must make an additional payment of the difference. If the Subscription Amount is less than the Application Amount, the difference will be refunded to you.
Aggregate Principal Amount of Issue:	The minimum issue amount of each tranche of Notes is HK\$60,000,000. The Underwriting Banks have agreed to severally underwrite the issue of the Notes by subscribing for Notes to the extent that public subscription falls short of (i) the minimum issue amount of each tranche of Notes and (ii) an aggregate issue amount of HK\$1,500,000,000 of all the Notes, subject to the terms of the Underwriting Agreement. For further information see the section headed “Placing and Underwriting Arrangements” in this Prospectus. There is no specified maximum aggregate principal amount of Notes; however, the HKMC reserves the right to fix the principal amount of Notes of each tranche to be issued in the light of valid applications received and its funding requirements. If the principal amount of Notes of a tranche to be issued is less than the principal amount of Notes of that tranche which has been validly applied for, Notes will be allocated as described in the section headed “Allocation of Notes” in this Prospectus.
Allocation of Notes:	If valid applications are received for more Notes of any tranche than are to be issued, a minimum of HK\$50,000 in principal amount of the Notes of that tranche will be allocated to each of the Placing Bank’s accounts through which valid application instructions were given (and so that (i) if more than one valid application instruction is given from the same account, all such valid application instructions will be aggregated and (ii) the accounts to receive such allocation will be chosen by ballot if valid application instructions for Notes of a tranche are received through a greater number of accounts than the number of Notes of that tranche to be allocated), and the remaining Notes of that tranche will be allocated on a pro rata basis to the remaining number of Notes validly applied for (rounded down to the nearest whole Note) and in the case of Notes remaining after rounding, by ballot. Fractions of Notes will not be allotted. No one will be allotted more Notes than they validly applied for.

Maturity Date:	<p>The Notes will be redeemed on the interest payment date (as described below) falling on or nearest to:</p> <p>13 June 2003 in respect of Tranche A Notes 14 June 2004 in respect of Tranche B Notes 13 June 2005 in respect of Tranche C Notes 13 June 2005, subject to extension as described under “Maturity Extension” below, in which case, 13 June 2007, in respect of Tranche D Notes</p>
Maturity Extension:	<p>The HKMC may give notice to the holders of the Tranche D Notes to extend the maturity date in respect of the Tranche D Notes from the interest payment date falling on or nearest to 13 June 2005 to the interest payment date falling on or nearest to 13 June 2007. The maturity date in respect of the Tranche D Notes shall be so extended upon the HKMC giving notice of such extension (i) while the Tranche D Notes are represented by a Global Note, to the Paying Agents and the Operator (as defined in the section headed “Settlement, Clearance and Custody” in this Prospectus) or (ii) where Definitive Tranche D Notes have been issued, to the holder of the Definitive Tranche D Notes in accordance with Condition 10(b), in each case on a day at least 10 business days before 13 June 2005 (each business day being a day (other than a Saturday) on which commercial banks are open for business in Hong Kong) (regardless of whether or not the holders of the Tranche D Notes receive actual notice). Extension of the maturity of the Tranche D Notes is at the option of the HKMC. The decision of whether or not to extend the maturity of the Tranche D Notes will be based on commercial considerations of the HKMC, which will take into account such factors as the HKMC’s need for funding and the cost of any alternative funding.</p>
Redemption Price:	100 per cent. of the principal amount of the Notes
Interest Rate:	<p>2.75 per cent. per annum in respect of Tranche A Notes 3.75 per cent. per annum in respect of Tranche B Notes 4.35 per cent. per annum in respect of Tranche C Notes 5.10 per cent. per annum in respect of Tranche D Notes</p> <p>Interest will be calculated and paid at the specified rates by reference to 100 per cent. of the principal amount of the Notes. The total return on the Notes, or yield to maturity, however, will depend on the Subscription Price. If the Subscription Price is greater than 100 per cent. of the principal amount of the Notes, the annualised yield will be lower than the specified interest rate (on an annualised basis); if the Subscription Price is lower than 100 per cent. of the principal amount of the Notes, the annualised yield will be greater than the specified interest rate (on an annualised basis). The Subscription Price will be fixed so that the annualised yield on the Notes for each tranche is equal to the offer yield of an identified issue of EFN of comparable remaining tenor (in the case of the Tranche D Notes, 5-year tenor) or, in the case of the Tranche A Notes, an identified issue of EFB of comparable remaining tenor, plus a specified margin: see “Subscription Price” above.</p>
Frequency of Interest Payments:	Interest payments will be made twice in each year on a semi-annual basis.

Interest Payment Dates:	Tranche A Notes: 13 December 2002, 13 June 2003
	Tranche B Notes: 13 December 2002, 13 June 2003, 15 December 2003, 14 June 2004
	Tranche C Notes: 13 December 2002, 13 June 2003, 15 December 2003, 14 June 2004, 13 December 2004, 13 June 2005
	Tranche D Notes: 13 December 2002, 13 June 2003, 15 December 2003, 14 June 2004, 13 December 2004, 13 June 2005, and subject to “Maturity Extension” as described above, 13 December 2005, 13 June 2006, 13 December 2006, 13 June 2007
	If an interest payment date is not a business day, it will be postponed to the next business day, unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day, and the amount of interest payable will be adjusted accordingly. A “business day” is a day (other than a Saturday) on which commercial banks are open for business in Hong Kong. Interest is calculated on the basis of the number of days in the interest period (being a period from and including an interest payment date (or in the case of the first interest period, the Issue Date) to but excluding the next interest payment date) and a 365-day year.
Payments on the Notes:	All payments of principal and interest on the Notes will be made by credit through the investment account in which the Notes are held.
Denomination:	HK\$50,000 per Note
Form of Notes:	Four permanent global Notes in bearer form, each representing the total principal amount of a tranche of Notes, will be deposited on the issue date of the Notes with the CMU operated by the HKMA and no Definitive Notes will be issued initially. Definitive Notes will only be issued in the limited circumstances set out in the Global Notes. Individual Noteholders must hold their Notes in an investment account with a participant in the CMU. For the purpose of initial allotment of Notes, you must already have, or must open, a bank account and also an investment account with the Placing Bank to which you give your application instructions. See the section headed “Custody Arrangements with Placing Banks” in this Prospectus. Your ability to pledge your interest in the Notes to persons who are not participants of the CMU, or otherwise to take action in respect of your interest, may be affected by the lack of definitive Notes.
Taxation:	All payments of principal and/or interest in respect of the Notes will be made subject to withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Hong Kong or any other authority having power to levy tax in Hong Kong. No such withholding or deduction is currently required.

- No Government Guarantee: The obligations of the HKMC to pay interest on each tranche of the Notes and to repay the principal amount of each tranche of the Notes when they mature are not guaranteed by, and are not obligations of, the Government of Hong Kong. For other considerations relating to an investment in the Notes, see the section headed “Risk Factors” in this Prospectus.
- No Listing: The Notes will not be listed on any stock exchange. Each of the Placing Banks has, subject to certain limitations, agreed to quote prices at which it will buy or sell Notes — see the section headed “Market Making Arrangements” in this Prospectus. These arrangements do not assure an active trading market for the Notes.
- Cancellation of Offering: The HKMC reserves the right to cancel the offering of one or more tranches of the Notes on or before the Issue Date for the Notes, in which case, no Notes of the relevant tranche or tranches will be issued and all applicants of the relevant tranche or tranches will be refunded their Application Amounts. The HKMC will give prompt public notice of such cancellation.
- The Underwriting Banks may terminate their obligations under the Underwriting Agreement in certain circumstances prior to the issue of the Notes. The HKMC will give prompt public notice if the Underwriting Agreement is terminated in circumstances in which it does not intend to cancel the offering of all four tranches of the Notes. In such circumstances, if less than HK\$60,000,000 of Notes of any tranche is applied for, no Note of that tranche will be issued and the aggregate issue amount of all the Notes may fall short of HK\$1,500,000,000.
- Security Interest in the Notes in favour of the Placing Banks: The standard terms and conditions of the investment account of each Placing Bank may permit it to take a security interest in, or to impose other restrictions on, the Notes credited to the account or to exercise a lien, right of set-off or similar claim against you in respect of monies held in any of your accounts maintained with it to secure any amounts which may be owing by you to the Placing Bank. In particular, if the Placing Bank makes an advance to you in connection with the payment of any Subscription Amount in excess of the Application Amount of the Notes (for example, if the Subscription Price is fixed at more than the Application Price and there are not sufficient monies in your bank account to pay it), the Placing Bank may have the legal right to restrict your ability to transfer the Notes, to collect amounts owing to it out of payments of interest or principal received on the Notes or to sell the Notes and recoup amounts owing to it or other sale expenses, duties and interest costs out of the proceeds of sale and/or to charge interest on amounts owing to it.
- It is important that you should familiarise yourself with, and ensure you understand and accept, the terms and conditions of operation of the investment account before making an application to open an investment account. See the section headed “Custody Arrangements with Placing Banks” in this Prospectus.**

TIMETABLE FOR NOTE ISSUE AND SUBSCRIPTION FOR THE NOTES

9:00 a.m. on 28 May 2002
Tuesday
Commencement Date of
Subscription Period

Applications for Notes may be made from this date on. See the section headed “How to Apply for the Notes” in this Prospectus.

You must have, or must open, a bank account and also an investment account with the Placing Bank to which you give your application instructions, and must arrange for sufficient funds to pay for the Application Amount in respect of Notes applied for to be available in your account on or before the Closing Date. If you do not have sufficient funds available to pay for the full amount of the Application Amount, your application will be rejected as invalid.

If you have made more than one application through the same Placing Bank, the Placing Bank will have the discretion to treat any one or more of your applications as valid and reject the others as invalid. The Placing Banks will charge a fee for the custody service they provide in respect of your investment account. See the section headed “Custody Arrangements with Placing Banks” in this Prospectus.

12:00 noon on 7 June 2002
Friday
Closing Date of
Subscription Period
(the “Closing Date”)

All applications in person, by internet or by telephone must have been submitted by 12:00 noon on the Closing Date. No applications will be accepted by the Placing Banks after this time.

The Application Amount will be collected by debit from 00:00 a.m. on the Closing Date onwards from your specified bank account with the Placing Bank to which you gave your application instructions.

You should also make funding arrangements with the Placing Banks to ensure that you have sufficient funds to pay any Subscription Amount in excess of the Application Amount in the event that the Notes allotted to you are issued at a premium in excess of the Application Price. The standard terms and conditions of the investment account of each Placing Bank will provide for it with the right to take actions to recover any amounts, including Subscription Amount in excess of the Application Amount, which may be owing by you to the Placing Bank. See the section headed “Custody Arrangements with Placing Banks” in this Prospectus.

11 June 2002
Tuesday
Price-fixing Date
(Closing Date plus two business days)

The Calculation Agent will fix the Subscription Price and the annualised yield for each tranche of Notes by reference to the offer yield of the identified issue of EFN of a comparable remaining tenor (in the case of the Tranche D Notes, 5-year tenor) and, in the case of the Tranche A Notes, the identified issue of EFB of a comparable remaining tenor quoted by the HKMA at or around 11:30 a.m. on this date.

If valid applications are received for more Notes of any tranche than are to be issued, the Notes will be allocated as described in the section headed “Allocation of Notes” in this Prospectus.

If the Subscription Price of any tranche of Notes is more than the Application Price, the Subscription Amount in excess of the Application Amount will be debited from your designated bank account with the Placing Bank to which you gave your instructions to apply for Notes of that tranche.

The HKMC will announce the Subscription Price, the issue amount and the principal amount of valid applications received in respect of each tranche of Notes on its website, to which the websites of Bank of China (Hong Kong), Bank of Communications, The Bank of East Asia, Dao Heng Bank, HSBC, Hang Seng Bank and Wing Lung Bank have a hyperlink, as specified in the section headed “Where to Obtain Copies of the Prospectus” in this Prospectus.

13 June 2002
Thursday
Issue Date
(Closing Date plus four business days)

If the Subscription Price of any tranche of Notes is less than the Application Price, the Placing Bank to which you gave your application instructions will calculate the refund amounts payable to you and will credit without interest such refund amounts to your bank account from which the Application Amount was initially debited. If your application is unsuccessful, invalid or partially successful, your Application Amount will also be refunded to you without interest by credit to your bank account from which the Application Amount was initially debited.

All refunds will be made within 5 business days of the Issue Date.

Notes will be issued against payment in full of the Subscription Price by the Placing Banks. Each Placing Bank will transfer the full amount of the Subscription Price for all the Notes allocated to successful applicants who applied through it from the HKMC’s nominee account to the Principal Paying Agent by 10:00 a.m.

The Placing Banks will notify the successful applicants by mail of the Subscription Price, any settlement amounts, any refund amounts, their allotment of Notes and any Subscription Amount in excess of the Application Amount.

The Principal Paying Agent will execute lodgment and settlement with the HKMC through the CMU by 11:00 a.m.

Notes allotted will be credited by 7:00 p.m. to your investment account maintained with the relevant Placing Bank.

“**business day**” means a day (other than a Saturday) on which commercial banks are open for business in Hong Kong.

Times given are references to Hong Kong time.

The commencement date of the subscription period and any dates after the commencement of the subscription period will not be adjusted or extended for any reason (e.g. the issue of a tropical cyclone warning signal no.8 or above or a black rainstorm warning for all or any part of a day which would otherwise have been a business day) except that:

- (1) if the Closing Date falls on a day which is not a business day for any reason, the latest time for completing your application will be 12:00 noon on the next business day (which shall become the Closing Date) and the Price-fixing Date and the Issue Date will be the second business day and the fourth business day, respectively, following the adjusted Closing Date;
- (2) if any day (other than a Saturday, Sunday or public holiday in Hong Kong) between the Closing Date and the Issue Date (exclusive of both dates) falls on a day which is not a business day for any reason, the Price-fixing Date and/or the Issue Date shall be postponed to such dates that the Price-fixing Date and the Issue Date shall always be the second business day and the fourth business day, respectively, following the Closing Date; and

- (3) if the Price-fixing date or the Issue Date falls on a day which is not a business day for any reason, the Price-fixing date, or as the case may be, the Issue Date will be the next business day which shall become the Price-fixing date, or as the case may be, the Issue Date,

and provided that if the Closing Date or the Price-fixing Date falls on a day which would not be a business day because commercial banks are not open for business in Hong Kong for part of the day commencing after 12:00 noon (for example, because of the issue of a tropical cyclone warning signal no. 8 or above or a black rainstorm warning with effect from a time later than 12:00 noon) then that day shall remain the Closing Date or, as the case may be, the Price-fixing Date (and that day shall be deemed to remain a business day) but the Price-fixing Date (if appropriate) and the Issue Date shall, in this case, be the third business day and the fifth business day, respectively, following the Closing Date.

HOW THE SUBSCRIPTION PRICE OF THE NOTES WILL BE FIXED

Interest will be calculated and paid at the specified interest rates by reference to 100 per cent. of the principal amount of the Notes. The total return on the Notes, or yield to maturity, however, will depend on the Subscription Price. If the Subscription Price is greater than 100 per cent. of the principal amount of the Notes, the annualised yield will be lower than the specified interest rate (on an annualised basis); if the Subscription Price is lower than 100 per cent. of the principal amount of the Notes, the annualised yield will be greater than the specified interest rate (on an annualised basis). The Subscription Price will be fixed so that the annualised yield on the Notes is equal to the offer yield of an identified issue of EFN, or in the case of the Tranche A Notes, an identified issue of EFB on the Price-fixing Date plus a specified margin: see the section headed “Summary of the Notes being offered — Subscription Price” in this Prospectus.

The Subscription Prices for the Notes of all four tranches will be fixed on the Price-fixing Date (expected to be 11 June 2002).

The following table sets out, for illustrative purposes, the yields to maturity (on an annualised basis) for each tranche of Notes for a range of Subscription Prices.

Subscription Price (as a percentage of the principal amount of the Notes) (Note (1))	HKMC101	HKMC202	HKMC303	HKMC304E	HKMC304E
	Interest rate	Interest rate	Interest rate	Interest rate	Interest rate
	2.75 per cent.	3.75 per cent.	4.35 per cent.	5.10 per cent.	5.10 per cent.
	per annum, (payable semi- annually)	per annum, (payable semi- annually)	per annum, (payable semi- annually)	per annum, (payable semi- annually)	per annum, (payable semi- annually)
	Annualised	Annualised	Annualised	Annualised	Annualised
	Yield	Yield	Yield	Yield	Yield
	(%)	(%)	(%)	(Assume no maturity extension) (%)	(Assume maturity extension) (%)
				(Note (2))	
98.00	4.881	4.866	5.141	5.921	5.641
98.10	4.773	4.811	5.103	5.883	5.617
98.20	4.666	4.756	5.066	5.844	5.593
98.30	4.558	4.701	5.028	5.806	5.569
98.40	4.451	4.647	4.990	5.768	5.545
98.50	4.345	4.592	4.953	5.730	5.521
98.60	4.238	4.538	4.916	5.692	5.497
98.70	4.132	4.484	4.878	5.654	5.473
98.80	4.026	4.429	4.841	5.616	5.449
98.90	3.920	4.375	4.804	5.578	5.425
99.00	3.814	4.321	4.766	5.540	5.401
99.10	3.709	4.267	4.729	5.502	5.378
99.20	3.603	4.213	4.692	5.465	5.354
99.30	3.498	4.160	4.655	5.427	5.330
99.40	3.393	4.106	4.618	5.389	5.306
99.50	3.289	4.052	4.581	5.352	5.283
99.60	3.184	3.999	4.544	5.314	5.259
99.70	3.080	3.945	4.507	5.277	5.236
99.80	2.976	3.892	4.471	5.240	5.212
99.90	2.872	3.838	4.434	5.202	5.188
100.00	2.769	3.785	4.397	5.165	5.165
100.10	2.666	3.732	4.361	5.128	5.142
100.20	2.562	3.679	4.324	5.091	5.118
100.30	2.459	3.626	4.287	5.053	5.095
100.40	2.357	3.573	4.251	5.016	5.071
100.50	2.254	3.520	4.215	4.979	5.048
100.60	2.152	3.467	4.178	4.942	5.025

Subscription Price (as a percentage of the principal amount of the Notes) (Note (1))	HKMC101	HKMC202	HKMC303	HKMC304E	HKMC304E
	Interest rate	Interest rate	Interest rate	Interest rate	Interest rate
	2.75 per cent.	3.75 per cent.	4.35 per cent.	5.10 per cent.	5.10 per cent.
	per annum, (payable semi- annually)	per annum, (payable semi- annually)	per annum, (payable semi- annually)	per annum, (payable semi- annually)	per annum, (payable semi- annually)
	Annualised Yield	Annualised Yield	Annualised Yield	Annualised Yield (Assume no maturity extension)	Annualised Yield (Assume maturity extension)
	(%)	(%)	(%)	(%) (Note (2))	(%)
100.70	2.050	3.415	4.142	4.905	5.001
100.80	1.948	3.362	4.106	4.868	4.978
100.90	1.846	3.309	4.069	4.832	4.955
101.00	1.744	3.257	4.033	4.795	4.932
101.10	1.643	3.205	3.997	4.758	4.908
101.20	1.542	3.152	3.961	4.721	4.885
101.30	1.441	3.100	3.925	4.685	4.862
101.40	1.340	3.048	3.889	4.648	4.839
101.50	1.240	2.996	3.853	4.612	4.816
101.60	1.140	2.944	3.817	4.575	4.793
101.70	1.039	2.892	3.781	4.539	4.770
101.80	0.940	2.840	3.745	4.502	4.747
101.90	0.840	2.789	3.710	4.466	4.724
102.00	0.740	2.737	3.674	4.430	4.701
102.10	0.641	2.685	3.638	4.394	4.678
102.20	0.542	2.634	3.603	4.357	4.656
102.30	0.443	2.582	3.567	4.321	4.633
102.40	0.344	2.531	3.532	4.285	4.610
102.50	0.246	2.480	3.496	4.249	4.587
102.60	0.147	2.429	3.461	4.213	4.564
102.70	0.049	2.377	3.425	4.177	4.542
102.80	N.A.	2.326	3.390	4.141	4.519
102.90	N.A.	2.275	3.355	4.106	4.496
103.00	N.A.	2.225	3.320	4.070	4.474

Note (1): The Subscription Prices actually fixed may not coincide with any of the prices specified for the purposes of the above illustrative table.

(2): The information shown in this column is for reference only. The Subscription Price for the Tranche D notes will be determined on the Price-fixing Date so that the Notes of that Tranche will have an annualized yield equal to the offer yield of EFN 5703 plus 0.20 per cent.

ALLOCATION OF NOTES

If valid applications are received for more Notes of any tranche than are to be issued, Notes will be allocated as follows:

1. a minimum of HK\$50,000 in principal amount of the Notes of that tranche will be allocated to each of the Placing Bank's accounts through which valid application instructions were given (and so that (i) if more than one valid application instruction is given from the same account, all such valid application instructions will be aggregated and (ii) the accounts to receive such allocation will be chosen by ballot if valid application instructions for Notes of a tranche are received through a greater number of accounts than the number of Notes of that tranche to be allocated);
2. remaining Notes of that tranche will be allocated to each of such Placing Bank's accounts on a pro rata basis to the remaining number of Notes validly applied for through each such account (rounded down to the nearest whole Note); and
3. in the case of Notes remaining after rounding, by ballot.

Fractions of Notes will not be allotted. No one will be allotted more Notes than they validly applied for.

HOW TO APPLY FOR THE NOTES

Applications for Notes will be made only by the Placing Banks. In order to instruct a Placing Bank to apply for Notes on your behalf, you must already have, or you must open, a bank account and also an investment account with the Placing Bank you intend to instruct. No application form is being issued for the Notes.

Application Procedure

1. Decide what principal amount of Notes you want to buy. Notes are available in the principal amount of HK\$50,000 each, so the principal amount of Notes you decide to buy must be HK\$50,000 (at the minimum) or a whole multiple of HK\$50,000.
2. Decide which of the Placing Bank(s) you will instruct to apply for Notes on your behalf. You must already have, or you must open, a bank account and also an investment account with the Placing Bank, to which you give your application instructions. For further information in relation to opening an investment account, see the section headed “Custody Arrangements with Placing Banks” in this Prospectus. You may give application instructions to more than one Placing Bank.
3. The Application Amount for the Notes you have instructed the relevant Placing Bank to apply for will be debited from your bank account with such Placing Bank from 0:00 a.m. on the Closing Date onwards, expected to be 7 June 2002. By then, you must ensure that your bank account with the relevant Placing Bank has sufficient funds to pay the Application Amount of the Notes you have instructed such Placing Bank to apply for. Otherwise, your application will be rejected as invalid and, if you have made more than one application through the same Placing Bank, the Placing Bank will have the discretion to treat any one or more of your applications as valid and reject the others as invalid.

A table of multiples of Notes and payments of Application Amount is set out below.

TABLE OF MULTIPLES OF NOTES AND PAYMENTS OF APPLICATION AMOUNT

Number of Notes applied for	Principal amount of Notes applied for (HK\$)	Application Amount (Application Price of 102% of principal amount plus handling fee of 0.15% of Application Price) (HK\$)
1	50,000	51,076.50
2	100,000	102,153.00
3	150,000	153,229.50
4	200,000	204,306.00
5	250,000	255,382.50
6	300,000	306,459.00
7	350,000	357,535.50
8	400,000	408,612.00
9	450,000	459,688.50
10	500,000	510,765.00
11	550,000	561,841.50
12	600,000	612,918.00
13	650,000	663,994.50
14	700,000	715,071.00
15	750,000	766,147.50
16	800,000	817,224.00
17	850,000	868,300.50
18	900,000	919,377.00
19	950,000	970,453.50
20*	1,000,000*	1,021,530.00

* (Thereafter, in increments of 1 Note or HK\$50,000 in principal amount.)

4. Decide how to instruct your Placing Bank to make the application for Notes on your behalf.

- **In Person.** You may go to any designated branch (as set out in the section headed “Where to Obtain Copies of the Prospectus” in this Prospectus) of your chosen Placing Bank and give the instructions in person to apply for Notes on your behalf. If you need to open an investment account with the Placing Bank with which you have your bank account at the time of giving your application instructions, you must go to a branch of your chosen Placing Bank to open an investment account before or at the same time as you give your application instructions. You are urged to give your application instructions in good time before the closing of the subscription period to ensure the paperwork can be completed. See also the section headed “Custody Arrangements with Placing Banks” in this Prospectus.
- **By Internet.** You may make an on-line application if you already have both a bank account and an investment account with The Bank of East Asia, Dao Heng Bank, HSBC or Hang Seng Bank and if you have made the necessary arrangements to use the internet banking facilities provided by The Bank of East Asia, Dao Heng Bank, HSBC or Hang Seng Bank. On-line applications cannot be made through Bank of China (Hong Kong), Bank of Communications, CITIC Ka Wah Bank, International Bank of Asia, Nanyang Commercial Bank, Shanghai Commercial Bank, Standard Chartered Bank or Wing Lung Bank. By making an on-line application through a Placing Bank, you are required to comply with such Placing Bank’s terms and conditions in respect of the internet banking facilities provided by such Placing Bank.

The websites of The Bank of East Asia, Dao Heng Bank, HSBC and Hang Seng Bank are set out below:

The Bank of East Asia: <http://www.hkbea.com>

Dao Heng Bank: <http://www.daoheng.com>

HSBC: <http://www.hsbc.com.hk>

Hang Seng Bank: <http://www.hangseng.com>

- **By Telephone.** You may make a telephone application if you have both a bank account and an investment account with Bank of China (Hong Kong), The Bank of East Asia, Dao Heng Bank, HSBC, Hang Seng Bank or Standard Chartered Bank and if you have made the necessary arrangements to use the telephone banking services provided by Bank of China (Hong Kong), The Bank of East Asia, Dao Heng Bank, HSBC, Hang Seng Bank or Standard Chartered Bank. Telephone applications for Notes cannot be made through Bank of Communications, CITIC Ka Wah Bank, International Bank of Asia, Nanyang Commercial Bank, Shanghai Commercial Bank or Wing Lung Bank. By making a telephone application through a Placing Bank, you are required to comply with such Placing Bank’s terms and conditions in respect of the telephone banking services provided by such Placing Bank.

The phonebanking telephone numbers for Bank of China (Hong Kong), The Bank of East Asia, Dao Heng Bank, HSBC, Hang Seng Bank and Standard Chartered Bank are set out below:

Bank of China (Hong Kong):

Telephone Number	Service Hours	
2291 8688	Monday - Friday	9:00 a.m. to 5:00 p.m.
	Saturday	9:00 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

The Bank of East Asia:

Account Type	Telephone Numbers	Service Hours	
(1) East Asia Cyberbanking Account	2211 1888	Monday - Friday Saturday Sunday and public holidays	9:00 a.m. to 5:00 p.m. 9:00 a.m. to 1:00 p.m. Closed
(2) East Asia Cyberbanking i-Account			
(3) East Asia Supreme Account			

Dao Heng Bank:

Telephone Number	Service Hours	
2961 2380	Monday - Friday Saturday Sunday and public holidays	9:00 a.m. to 6:00 p.m. 9:00 a.m. to 1:00 p.m. Closed

HSBC:

Telephone Number	Service Hours	
2269 2121	Monday - Friday Saturday Sunday and public holidays	8:00 a.m. to 7:00 p.m. 8:00 a.m. to 1:00 p.m. Closed

Hang Seng Bank:

Account Type	Telephone Numbers	Service Hours	
Prestige Banking Account	2998 9188	Monday - Friday Saturday Sunday and public holidays	8:00 a.m. to 7:00 p.m. 8:00 a.m. to 1:00 p.m. Closed
Stamina Account Femina Account	2822 8228	Monday - Friday Saturday Sunday and public holidays	8:00 a.m. to 7:00 p.m. 8:00 a.m. to 1:00 p.m. Closed
Bank-in-one Account (with Manned Phone Banking Service)	2998 9333	Monday - Friday Saturday Sunday and public holidays	8:00 a.m. to 7:00 p.m. 8:00 a.m. to 1:00 p.m. Closed
Other Bank-in-one Account	2532 3838	Monday - Friday Saturday Sunday and public holidays	9:00 a.m. to 5:00 p.m. 9:00 a.m. to 1:00 p.m. Closed

Standard Chartered Bank:

Telephone Number	Service Hours	
2886 6266	Monday - Friday	9:00 a.m. to 5:00 p.m.
	Saturday	9:00 a.m. to 1:00 p.m.
	Sunday and public holidays	Closed

5. As part of the application instruction procedure, you will be required to confirm that you have read and understood this Prospectus and to make the confirmations set out below.
6. The latest time for submitting your application is 12:00 noon on the Closing Date (expected to be 7 June 2002). The subscription period will not be adjusted or extended if any day during the subscription period is not a business day for any reason (for example, the issue of a tropical cyclone warning signal no. 8 or above or a black rainstorm warning for all or any part of a day which would otherwise have been a business day), except that:
- (1) if the Closing Date falls on a day which is not a business day for any reason, the latest time for completing your application will be 12:00 noon on the next business day (which shall become the Closing Date) and the Price-fixing Date and the Issue Date will be the second business day and the fourth business day, respectively, following the adjusted Closing Date;
 - (2) if any day (other than a Saturday, Sunday or public holiday in Hong Kong) between the Closing Date and the Issue Date (exclusive of both dates) falls on a day which is not a business day for any reason, the Price-fixing Date and/or the Issue Date shall be postponed to such dates that the Price-fixing Date and the Issue Date shall always be the second business day and the fourth business day, respectively, following the Closing Date; and
 - (3) if the Price-fixing date or the Issue Date falls on a day which is not a business day for any reason, the Price-fixing date, or as this case may be, the Issue Date will be the next business day which shall become the Price-fixing date, or as this case may be, the Issue Date,

and provided that if the Closing Date or the Price-fixing Date falls on a day which would not be a business day because commercial banks are not open for business in Hong Kong for part of the day commencing after 12:00 noon (for example, because of the issue of a tropical cyclone warning signal no. 8 or above or a black rainstorm warning with effect from a time later than 12:00 noon) then that day shall remain the Closing Date or, as the case may be, the Price-fixing Date (and that day shall be deemed to remain a business day) but the Price-fixing Date (if appropriate) and the Issue Date shall, in this case, be the third business day and the fifth business day, respectively, following the Closing Date.

Confirmations to be Made by ALL Applicants on Applying for Notes

By giving application instructions for the Notes, you confirm to the Placing Banks and to the HKMC, that, amongst other things, you:

- **understand** that the Subscription Price for the Notes has not yet been set and will be set on the Price-fixing Date by reference to the offer yields of the EFN of a comparable remaining tenor (in the case of the Tranche D Notes, 5-year tenor) or, in the case of the Tranche A Notes, the EFB of a comparable remaining tenor quoted by the HKMA at or around 11:30 a.m. on the Price-fixing Date;

- **undertake** and **agree** to accept the Notes applied for, or any lesser number allotted to you;
- **undertake** and **agree** to pay in full the Subscription Amount if the Subscription Price of the Notes is set at more than the Application Price of the Notes;
- **understand** that until you pay in full to the relevant Placing Bank any Subscription Amount in excess of the Application Amount in respect of the Notes allotted to you (for example, because there are insufficient monies in your bank account for such payment), the Placing Bank may do, amongst other things, the following under the terms and conditions of the operation of your bank account and/or investment account with such Placing Bank:
 - (i) have a security interest in, or otherwise impose other restrictions on, your Notes for repayment of such unpaid excess Subscription Amount under the terms and conditions of the operation of your investment account with such Placing Bank such that you may not be able to transfer or otherwise dispose of your Notes; and/or
 - (ii) exercise a lien, right of set-off or similar claim against you in respect of monies held in any of your accounts maintained with such Placing Bank to secure any amounts which may be owing by you to it; and/or
 - (iii) charge interest on such unpaid excess Subscription Amount; and/or
 - (iv) deduct such unpaid excess Subscription Amount from payment of interest or principal on your Notes; and/or
 - (v) sell your Notes to recoup such unpaid excess Subscription Amount or other sale expenses, duties and interest costs;
- **authorise** the Placing Bank to which you give your application instructions to credit any Notes allotted to you to your investment account with it and **understand** that no certificates of title will be available for your Notes and your interest in your Notes is in book-entry form only;
- **agree** that if you are not allotted any Notes, or if the Subscription Price of the Notes is less than Application Price of the Notes or if your application is successful in part, the whole or an appropriate portion of the Application Amount will be returned to you without interest and that all interest will be retained for the benefit of the HKMC;
- **have read** the terms and conditions and application procedures set out in this Prospectus and **agree** to be bound by them;
- **understand** that, if you make your application for Notes on-line or by telephone, the website and phone banking services are being provided by the relevant Placing Bank and not by the HKMC and that the HKMC accepts no responsibility for the websites or phone banking services or for any consequences of, or arising from, the use of the websites or phone banking services or reliance on any information or data (other than the Prospectus) supplied through the websites or phone banking services;
- **understand** and **accept** that the HKMC accepts no responsibility for the provision of bank services and custody services by the Placing Banks or for any consequences of, or arising from, the use of the bank account and investment account or custody services;

- **agree** that neither the Placing Banks nor the HKMC, their respective directors, officers, agents and nominees will be liable to any persons in any way for any loss which may be suffered as a result of the sale by the Placing Banks of your Notes in accordance with the terms and conditions of the operation of your bank account/investment account with them; and
- **confirm** that you are not located within the United States or Canada and are not a U.S. Person within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended, (which includes any person resident in the United States and any partnership or corporation organised or incorporated under the laws of the United States) or a resident of Canada.

You will be required to confirm that you have read and understood these confirmations when you instruct a Placing Bank to apply for Notes on your behalf.

CUSTODY ARRANGEMENTS WITH PLACING BANKS

Definitive Notes, or certificates representing Notes, will not be issued to individual holders of Notes (except in very limited circumstances as described under the section headed “Terms and Conditions of the Notes” in this Prospectus). Four Global Notes, each representing the total principal amount of a tranche of Notes, will instead be deposited on the issue date of the Notes with the CMU operated by the HKMA. Notes, in the form of interests in the Global Notes, will be credited to the accounts of the Placing Banks with the CMU. See the section headed “Settlement, Clearance and Custody” in this Prospectus.

Accordingly, upon giving application instructions for the Notes, you must already have, or you must open, an investment account with your chosen Placing Bank to which your Notes can be credited on issue.

If you do not currently have an investment account with a Placing Bank, in order to apply for the Notes, you must arrange to open an investment account in good time before the close of the subscription period. If you do not have an investment account at the time you give your application instructions for Notes, you must give application instructions for the Notes in person (on-line or telephone application instructions will not be accepted unless a valid investment account number is given) and you must complete and submit an investment account opening form to the same Placing Bank with which you have your bank account and which you have instructed to apply for Notes on your behalf.

Some important points about opening and holding your Notes in an investment account are as follows:

- Applications to open an investment account with a Placing Bank will be processed by the Placing Bank according to its normal procedures and criteria for acceptance. These criteria may include proof of income, creditworthiness, and other personal details. There may also be restrictions and certification or other requirements as to nationality and/or place of residence. United States or Canadian persons, for example, may not be eligible to open an investment account for securities laws compliance reasons. If your application to open an investment account is refused for any reason, this will result in your application for Notes through that Placing Bank being rejected.
- Investment account and other custody services with respect to the Notes will be supplied by the Placing Banks subject to their standard terms and conditions for the provision of such services. You should familiarise yourself with, and ensure you understand and accept, the terms and conditions of operation of the investment account before making your application to open an investment account. The HKMC accepts no responsibility for the provision of custody services by the Placing Banks or for any consequences of, or arising from the use of the investment account or custody services.
- The Placing Banks will charge fees for the opening and operation of an investment account: you should check with the Placing Bank with which you intend to open an investment account what fees will be chargeable. Fees may be charged in respect of individual transactions, such as transfers of Notes; on a periodic basis for safe custody; and on payments of interest and principal when they are received. You should check with the Placing Bank with which you intend to open an investment account on what basis fees will be charged in respect of your Notes.
- The standard terms and conditions of the investment account of each Placing Bank may permit it to take a security interest in, or to impose other restrictions on, the Notes credited to the investment account or to exercise a lien, right of set-off or similar claim against you in respect of monies held in any of your accounts maintained with it to secure any amounts which may be owing by you to the Placing Bank. In particular, if the Placing Bank makes an advance to you in connection with the payment of any unpaid Subscription Amount of the Notes (for example, if the Subscription Price is fixed at more than the Application Price and there are not sufficient monies in your bank account to pay the Subscription Amount in excess of the Application Amount for the Notes allotted to you), the Placing Bank may have the legal right to restrict your ability to transfer the Notes, to collect amounts owing to it out of payments of interest or principal received on the Notes or to sell the Notes and recoup amounts owing to it or other sale expenses, duties and interest costs out of the proceeds of sale or to charge interest on amounts owing to it.

SUMMARY OF CERTAIN PRINCIPAL TERMS OF THE NOTES

The full text of the terms and conditions (the “**Conditions**”) of the Notes are set out in the section headed “Terms and Conditions of the Notes” in this Prospectus and in the trust deed (as amended, supplemented or novated) dated 22 May 2002 (the “**Trust Deed**”) made between the HKMC and DB Trustees (Hong Kong) Limited (the “**Trustee**”). The following is a summary of certain principal terms of the Notes:

Form of the Notes

Each tranche of Notes will initially be represented by a permanent global note in bearer form (each a “**Global Note**”), without interest coupons attached. Each Global Note will be deposited with a sub-custodian for the HKMA as Operator of the CMU. Interests in each Global Note will only be shown on, and transfers thereof will be effected through, records maintained by the Operator. See the section headed “Settlement, Clearance and Custody” in this Prospectus. The Global Notes will be exchangeable for Notes in definitive form only in limited circumstances.

Status

The Notes are direct, unconditional, unsubordinated, general and unsecured obligations of the HKMC ranking pari passu in all respects and rateably without preference or priority (except for any statutory preference or priority applicable in the winding-up of the HKMC) with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present or future) of the HKMC.

The obligations, including the Notes, of the HKMC are not guaranteed by, and are not obligations of, the Government of Hong Kong.

No Redemption prior to maturity

The Notes may not be redeemed before their maturity date (except on an event of default).

Events of Default

The Trustee may, at its discretion, declare the Notes to be immediately due and repayable at their principal amount together with accrued interest if any of the following events (“**Events of Default**”) occurs and is continuing (but subject to certain conditions set out below). There is an Event of Default if:

- (a) there is a default for more than seven days in the payment of any principal, interest or other amount due in respect of any Note; or
- (b) (i) the HKMC shall default in the payment of any principal of or interest on any Borrowed Money (as defined in the Conditions) beyond any period of grace provided in respect thereof, or (ii) the HKMC shall fail to honour when due and called upon any guarantee of any Borrowed Money, or (iii) any Borrowed Money of the HKMC shall become due and payable prior to its specified maturity by reason of any default or event of default (howsoever described), in each case in an aggregate principal amount of at least HK\$100,000,000 or the equivalent thereof in another currency or currencies, or (iv) a general moratorium shall be declared on the payment of the debts of the HKMC; or
- (c) the HKMC shall default in the performance or observance of any other obligation contained in the Notes (or to the extent it relates to the Notes) the Trust Deed and (unless the same shall be certified by the Trustee to be, in its opinion, not capable of remedy) such default shall not have been remedied within 30 days after written notice shall have been given to the HKMC by the Trustee requiring the same to be remedied; or

- (d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the HKMC; or
- (e) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the HKMC; or
- (f) as a result of any action on the part of the HKMC or the Government of Hong Kong, the Government of Hong Kong ceases to hold, directly or indirectly, more than half in nominal value of the voting share capital of the HKMC.

However, the Trustee must certify that in its opinion the Event of Default is materially prejudicial to the interests of the holders of Notes in the case of an Event of Default under paragraphs (b), (c), (e) or (f) above before it may declare the Notes immediately due and payable. The Trustee must, subject to certain further provisions set out in the Conditions, declare an Event of Default if directed to do so in writing by the holders of at least 25 per cent. in principal amount of all the Notes then outstanding or by an Extraordinary Resolution of the Noteholders passed at a meeting of all Noteholders (if certain other conditions are met).

The Trustee

The Conditions and the Trust Deed provide that no holder of a Note is entitled to take action directly against the HKMC to enforce the Notes unless the Trustee, having become bound to take such action in accordance with the Trust Deed, has failed to do so within a reasonable period. The Trustee is entitled to require an indemnity from Noteholders before becoming bound to take enforcement action. In addition, the Trustee has certain discretions to take action on behalf of the holders of Notes and to agree certain modifications to the Conditions and the Trust Deed without the consent of Noteholders.

Meetings

The Trust Deed contains provisions for convening meetings of Noteholders (of one or more outstanding tranches) to consider any matter affecting their interests. A resolution passed at a meeting of Noteholders of the relevant tranche or tranches is binding on other Noteholders of such tranche or tranches whether they were present or not.

Notices

Notices to Noteholders from the HKMC will be published in an English language and a Chinese language newspaper with general circulation in Hong Kong except that for so long as the Notes are in global form, notices to Noteholders will be distributed to accountholders of the CMU.

Governing Law

The Notes and the Trust Deed are governed by Hong Kong law.

TERMS AND CONDITIONS OF THE NOTES

The following (excluding any paragraphs in italics) are the terms and conditions substantially in the form in which they will be endorsed on the Definitive Notes and referred to in the Global Notes and save where expressly stated otherwise, references herein to “Notes” are to the “Tranche A Notes”, the “Tranche B Notes”, the “Tranche C Notes” or the “Tranche D Notes” separately, according to the tranche of Notes to which they are attached or to which the relevant global Note refers.

The global Notes, definitive Notes and related terms and conditions will be issued in the English language, which shall prevail over any Chinese language version in the event of conflict or discrepancy.

The issue of the Issue No. HKMC101 2.75 per cent. Notes due June 2003 (“**Tranche A Notes**”), the Issue No. HKMC202 3.75 per cent. Notes due June 2004 (“**Tranche B Notes**”), the Issue No. HKMC303 4.35 per cent. Notes due June 2005 (“**Tranche C Notes**”) and the Issue No. HKMC304E 5.10 per cent. Extendable Notes due June 2005 (“**Tranche D Notes**”), was authorised by a written resolution of the Board of Directors of The Hong Kong Mortgage Corporation Limited (the “**HKMC**”) on 19 September 2001. Save where expressly stated otherwise, references to “**Notes**” in these conditions are to the Tranche A Notes, the Tranche B Notes, the Tranche C Notes or the Tranche D Notes separately, according to the tranche of Notes on which these conditions are endorsed or to which the relevant Global Note (as defined below) refers. The Notes are constituted by a trust deed (as amended, supplemented or novated, the “**Trust Deed**”) dated 22 May 2002 made between the HKMC and DB Trustees (Hong Kong) Limited (the “**Trustee**” which expression shall wherever the context permits, include all other persons or companies for the time being acting as trustee under the Trust Deed). A paying agency agreement dated 22 May 2002 (the “**Paying Agency Agreement**”) has been entered into in relation to the Notes between the HKMC and Bank of China (Hong Kong) Limited as principal paying agent (the “**Principal Paying Agent**”) and as calculation agent (the “**Calculation Agent**”) and the Trustee. The Principal Paying Agent for the time being and any paying agent as may be appointed from time to time in respect of the Notes under the Paying Agency Agreement are referred to below as the “**Paying Agents**”. In connection with the Notes, the HKMC has executed a deed poll (the “**Deed Poll**”) dated 22 May 2002 in favour of certain accountholders of the Central Moneymarkets Unit Service (the “**CMU**”) (as specified therein).

Copies of the Trust Deed, the Paying Agency Agreement and the Deed Poll are available for inspection during normal business hours at the specified offices of the Trustee and the Paying Agents. The holders of the Notes (the “**Noteholders**”) and the holders of the Coupons (as defined below) (whether or not attached to the Note) (the “**Couponholders**”) are deemed to have notice of all the provisions of the Trust Deed, the Paying Agency Agreement and the Deed Poll applicable to them.

References herein to the “**Notes**” shall mean (i) in relation to any Notes represented by a permanent bearer global note (“**Global Note**”), units of the lowest denomination of the relevant Notes, (ii) in relation to any definitive Notes (“**Definitive Notes**”) issued in exchange for interests in a Global Note, such Definitive Notes, and (iii) any Global Note.

Words and expressions defined in the Trust Deed, the Paying Agency Agreement or the Deed Poll shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

1. Form, Denomination and Title

(a) *Global Notes*

The Notes will be represented by a permanent bearer global Note substantially in the form set out in Schedule 2 to the Trust Deed, without interest coupons (“**Coupons**”) attached. The Global Note will be lodged with a sub-custodian for the Hong Kong Monetary Authority as operator (the “**Operator**”) of the CMU, and will be exchangeable for Notes in definitive form only in the circumstances set out therein.

Each tranche of Notes will be represented by a single Global Note, without Coupons attached. The Global Notes will be deposited with a sub-custodian for the Operator on behalf of the Noteholders. If (i) principal in respect of any Note represented by it is not paid when due and payable or following the giving

of a default notice under Condition 7, or (ii) any Global Note is held on behalf of the CMU or an alternative clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, the HKMC will issue Definitive Notes in exchange for such Global Note.

Except in these very limited circumstances, owners of interests in Notes represented by each Global Note will not be entitled to receive physical delivery of Definitive Notes.

The HKMC has executed the Deed Poll in favour of certain Accountholders (as defined in the Deed Poll) with the CMU in order to facilitate enforcement by individual Noteholders if (i) there should be any default in payment on the Notes by the HKMC and (ii) the Trustee having become bound to proceed directly against the HKMC in accordance with the Trust Deed, fails to do so within a reasonable period and such failure is continuing.

(b) *Form and denomination*

Definitive Notes, if issued, will be serially numbered and in bearer form in the denomination of HK\$50,000 each with Coupons attached on issue and may be lodged with the CMU.

(c) *Title*

For so long as any of the Notes are represented by a Global Note, each person who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by the Operator as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the HKMC, the Trustee, the Paying Agents and the Operator as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, the right to which shall be vested, as against the HKMC, the Trustee, the Paying Agents and the Operator solely in the bearer of the relevant Global Note in accordance with and subject to its terms (and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of the Operator.

Except as set out above, title to the Notes and Coupons appertaining thereto will pass by delivery. The HKMC, the Trustee, the Paying Agents and the Operator may deem and treat the bearer of any Global Note or Definitive Note(s) (and any Coupon appertaining thereto) as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the preceding paragraph.

2. **Status of Notes**

The Notes and Coupons are direct, unconditional, unsubordinated, general and unsecured obligations of the HKMC ranking *pari passu* in all respects and rateably without preference or priority (except for any statutory preference or priority applicable in the winding-up of the HKMC) with all other outstanding unsecured or unsubordinated obligations (contingent or otherwise, present and future) of the HKMC.

3. **Interest**

(a) *Accrual of interest and payments*

The Notes shall bear interest from 13 June 2002 or such later date as shall be specified in the Notes (the “**Issue Date**” or the “**Interest Commencement Date**”), payable semi-annually in arrears on 13 June and 13 December in each year (each an “**Interest Payment Date**”), subject as provided in Condition 5. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 5), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date is herein referred to as an “**Interest Period**”.

(b) *Cessation of interest*

Each Note will cease to bear interest from the due date for redemption therefor unless upon due presentation or surrender thereof, payment in full of principal on such Note is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue at the Rate of Interest (as defined below) (or, if higher, the rate of interest on judgment debts for the time being provided by Hong Kong law) on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) until whichever is the earlier of (i) the date on which, upon further presentation or surrender of the relevant Note, all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note and (ii) the seventh day after the Paying Agents have notified the holder thereof (either in accordance with Condition 10 or individually) of the receipt of all sums due in respect thereof up to that date.

(c) *Rate of Interest:*

- (i) the Tranche A Notes bear interest at 2.75 per cent. per annum;
- (ii) the Tranche B Notes bear interest at 3.75 per cent. per annum;
- (iii) the Tranche C Notes bear interest at 4.35 per cent. per annum; and
- (iv) the Tranche D Notes bear interest at 5.10 per cent. per annum

and references to “**Rate of Interest**” in these Conditions shall be to the rate of interest applicable to the Notes in question.

(d) *Calculations of Interest*

The amount of interest payable in respect of any Note for any Interest Period shall be calculated by the Calculation Agent by multiplying the Rate of Interest, the principal amount of such Notes and the actual number of days elapsed in such Interest Period and then dividing the product thereof by 365 days (half a cent being rounded upwards).

4. Redemption and Purchase

(a) *Final redemption*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, (i) in the case of the Tranche A Notes, 13 June 2003, (ii) in the case of the Tranche B Notes, 14 June 2004, (iii) in the case of the Tranche C Notes, 13 June 2005 and (iv) in the case of the Tranche D Notes, 13 June 2005 or, if the maturity date of the Tranche D Notes has been extended in accordance with Condition 4(c), 13 June 2007. The Notes may not be redeemed at the option of the HKMC other than in accordance with this Condition.

(b) *Purchases*

The HKMC may at any time purchase Notes (*provided that*, in the case of Notes represented by a Global Note, such Notes are purchased together with the right to receive payments of interest thereon and, in the case of any Definitive Notes, all unmatured Coupons appertaining thereto are surrendered therewith) in the open market or by private treaty at any price. If purchases are made by tender, tenders must be available to all holders of the Notes alike. Any Notes purchased pursuant to this Condition 4(b) may be held, reissued, resold or surrendered to the Principal Paying Agent for cancellation.

(c) *Maturity Extension*

The HKMC may extend the maturity date of the Tranche D Notes by giving notice of such extension (i) while the Tranche D Notes are represented by a Global Note, to the Paying Agents and the Operator or (ii) where Definitive Tranche D Notes have been issued, to the holders of the Definitive Tranche D Notes in accordance with Condition 10(b), in each case on a day which is not less than 10 business days (as defined

in Condition 5) before 13 June 2005. Upon the giving of the notice of extension by the HKMC in accordance with the provisions of this Condition 4(c), the maturity date of the Tranche D Notes shall be extended from the Interest Payment Date falling on or nearest to 13 June 2005 to the Interest Payment Date falling on or nearest to 13 June 2007, regardless of whether or not the holders of the Tranche D Notes receive actual notice.

5. Payments

(a) *Method of Payment*

Subject as provided below, payments will be made by transfer to a Settlement Account. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in Hong Kong or other place of payment.

For the purpose of this Condition 5(a), “**Settlement Account**” means, in relation to a payee which is a licensed bank, the account maintained by that payee with the Operator through which its own clearing balance is settled or, in relation to a payee which is not a licensed bank, the account maintained by its designated correspondent bank with the Operator for the purpose of settling, *inter alia*, interbank payments.

(b) *Presentation of Notes and Coupons*

- (i) *Global Notes*: Payments of principal and interest in respect of the Notes represented by any Global Note will (subject as provided below) be made in Hong Kong Dollars in the manner specified above and otherwise in the manner specified in the relevant Global Note, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent. A record of each such payment of principal will be made on such Global Note by any Paying Agent and of each such payment of interest either on the Global Note or in the records of any Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of the relevant Global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the HKMC’s obligation will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) with respect to each amount so paid. Without prejudice to the provisions of the Deed Poll, no person other than the holder of the relevant Global Note shall have any claim against the HKMC in respect of payments due on that Global Note.

- (ii) *Definitive Notes*: Payments of principal in respect of Definitive Notes will (subject as provided below) be made in Hong Kong Dollars against presentation or surrender, as the case may be, of Definitive Notes and payments of interest in respect of the Definitive Notes will (subject as provided below) be made in Hong Kong Dollars against presentation or surrender, as the case may be, of Coupons, in each case at the specified office of any Paying Agent.
- (iii) *Coupons*: Definitive Notes should be presented for payment together with all unmatured Coupons appertaining thereto. Upon the date on which any such Note in definitive form becomes due and payable, unmatured Coupons relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.
- (iv) *Payments on business days*: A Note or Coupon may only be presented for payment and payment will only be made on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a Settlement Account, in Hong Kong). No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition “**business day**” means (i), if the relevant Note(s) is/are not lodged with the CMU, any day (other than a Saturday) on which banks are open for business in the relevant place or, if the relevant Note(s) is/are lodged with the CMU, any day (other than a Saturday) on which the CMU is operating and (ii), in the case of payment by transfer to a Settlement Account as referred to above, any day (other than a Saturday) on which commercial banks and foreign exchange markets are open in Hong Kong.

- (v) *Interest payable*: If the due date for redemption of any Definitive Note is not an Interest Payment Date, interest (if any) accrued with respect to such Note from and including the preceding Interest Payment Date or, as the case may be, Issue Date shall be payable only against presentation or surrender of the relevant Definitive Note.

(c) *Paying Agents*

The initial Paying Agent and its initial specified office are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain a Paying Agent having a specified office in Hong Kong. Notice of any change in the Paying Agent or its specified office will promptly be given to the Noteholders.

6. Taxation and Withholding

All payments of principal and/or interest in respect of the Notes and the Coupons will be made subject to withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Hong Kong or any other authority having power to levy tax in Hong Kong.

Under current Hong Kong law, no withholding tax is imposed in respect of payments of principal and/or interest made to holders of debt securities.

7. Events of Default

If any of the following events (“**Events of Default**”) shall occur and be continuing:

- (a) there is a default for more than seven days in the payment of any principal, interest or other amount due in respect of any Note; or
- (b) (i) the HKMC shall default in the payment of any principal of or interest on any Borrowed Money beyond any period of grace provided in respect thereof, or (ii) the HKMC shall fail to honour when due and called upon any guarantee of any Borrowed Money, or (iii) any Borrowed Money of the HKMC shall become due and payable prior to its specified maturity by reason of any default or event of default (howsoever described), in each case in an aggregate principal amount of at least HK\$100,000,000 or the equivalent thereof in another currency or currencies, or (iv) a general moratorium shall be declared on the payment of the debts of the HKMC; or
- (c) the HKMC shall default in the performance or observance of any other obligation contained in the Notes (or to the extent it relates to the Notes) the Trust Deed and (unless the same shall be certified by the Trustee to be, in its opinion, not capable of remedy) such default shall not have been remedied within 30 days after written notice shall have been given to the HKMC by the Trustee requiring the same to be remedied; or
- (d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the HKMC; or
- (e) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the HKMC; or
- (f) as a result of any action on the part of the HKMC or the Government of Hong Kong, the Government of Hong Kong ceases to hold, directly or indirectly, more than half in nominal value of the voting share capital of the HKMC,

then:

- (i) the Trustee at its discretion may declare the Notes immediately due and repayable;
- (ii) except in the case of the event described in paragraph (a) above, the Trustee shall, if so directed either in writing by the holders of at least 25 per cent. in principal amount of the Notes of all four tranches then outstanding or by Extraordinary Resolution of the holders of all of the Notes of all four tranches, declare all of the Notes of all four tranches immediately due and repayable; and
- (iii) the Trustee shall, if so directed either in writing by the holders of at least 25 per cent. in principal amount of all the Notes of any tranche then outstanding or by Extraordinary Resolution of the holders of all the Notes of any tranche, declare the Notes of that tranche immediately due and repayable,

provided that in the case of any event described in paragraphs (b), (c), (e) or (f) above the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the holders of Notes, *whereupon* the relevant Notes shall become so due and repayable at their principal amount together with accrued interest (if any). If the Notes become due and repayable pursuant to this Condition 7, they shall continue to bear interest in accordance with the provisions of these Conditions, which will continue to apply.

For the purposes of this Condition, “**Borrowed Money**” means indebtedness for borrowed money, acceptances and the principal amount of any notes (including, for the avoidance of doubt, Notes of any other tranche) debentures, bonds, bills of exchange, promissory notes or similar instruments drawn, made, accepted, issued, endorsed or guaranteed by the HKMC for the purpose of raising money but shall exclude bills of exchange drawn under or in respect of letters of credit or contracts for the provision of goods or services for the purpose of effecting payment and not in connection with the raising of money.

At any time after the Notes shall have become immediately due and repayable pursuant to this Condition 7 or otherwise, the Trustee may, at its discretion and without further notice, institute such proceedings as it may think fit against the HKMC to enforce repayment of the principal of the Notes, together with accrued interest, and to enforce the provisions of the Trust Deed, but it shall not be bound to take any such proceedings unless (1) in the case of any Event of Default other than those described in Condition 7(a), it shall have been so directed by an Extraordinary Resolution of the holders of all tranches of Notes or so requested in writing by persons holding at least 25 per cent. in principal amount of all tranches of Notes then outstanding (as defined in the Trust Deed) or (2) it shall have been directed by an Extraordinary Resolution of the holders of all the Notes of any tranche or so requested in writing by persons holding at least 25 per cent. in principal amount of all the Notes of any tranche then outstanding (as defined in the Trust Deed), and (3) it shall have been indemnified to its satisfaction.

No holder of a Note or beneficiary under the Deed Poll shall be entitled to proceed directly against the HKMC unless the Trustee, having become bound in accordance with the Trust Deed so to proceed, fails to do so within a reasonable period and such failure is continuing.

8. Meetings, Modification of Conditions, Waiver and Substitution

(a) Generally

The Trust Deed contains provisions for convening meetings of the holders of Notes of one or more tranches for the time being outstanding (as defined in the Trust Deed) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of, or an arrangement in respect of, the Conditions and the provisions of the Trust Deed. Such a meeting may be convened by the HKMC and the Trustee at any time and shall be convened by the Trustee upon written request by the Noteholders holding not less than 10 per cent. in principal amount of the Notes of any one or more tranches for the time being outstanding. A resolution duly passed at any such meeting shall be binding on the holders of Notes of the relevant tranche or tranches whether present or not. The quorum at any such meeting for passing an Extraordinary Resolution of the holders of Notes of the relevant tranche or tranches shall be two or more persons holding or representing a clear majority in principal amount of the Notes of the relevant tranche or tranches for the time being outstanding, or, at any adjourned meeting, two or more persons being

or representing holders of Notes of the relevant tranche or tranches, whatever the principal amount of the Notes so held or represented, except that, at any meeting the business of which includes the modification of certain material conditions of the Notes or of certain provisions of the Trust Deed (as set out therein), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than three-quarters, or at any such adjourned meeting, not less than one-quarter, of the principal amount of the Notes of the relevant tranche or tranches for the time being outstanding. So long as the Notes of any tranche are represented by a Global Note, the holder of the Global Note shall be treated as being two persons for the purposes of any quorum requirements for a meeting of Noteholders and, at any such meeting, as having one vote in respect of each Note of that tranche for which the Global Note may be exchanged.

(b) *Trustee's Discretions*

The Trustee may, subject as aforesaid, without the consent of the holders of Notes (or of the holders of any one tranche of Notes) at any time and from time to time:

- (i) agree to any modification of the provisions of the Trust Deed or the Notes (either generally or in relation to any one or more tranches of Notes) which, in the opinion of the Trustee, is of a formal, minor or technical nature, is made to correct a manifest error, or which may be proper to make, provided that the Trustee is of the opinion that such modification is not materially prejudicial to the interests of the holders of Notes or, as the case may be, the holders of Notes of the relevant tranche or tranches; or
- (ii) waive or authorize any breach or proposed breach by the HKMC of the provisions of the Trust Deed or the Notes (either generally or in relation to any one or more tranches of Notes) or any other act or omission which is or would or might otherwise on its own or together with any other act or omission constitute an Event of Default which, in the opinion of the Trustee, is not materially prejudicial to the interests of the holders of Notes or, as the case may be, the holders of Notes of the relevant tranche or tranches, or determine that such first mentioned act or omission shall, notwithstanding Condition 7, not be an Event of Default.

Any such modification, waiver, authorization or determination shall be binding on all the holders of Notes or, as the case may be, the holders of Notes of the relevant tranche or tranches and, unless the Trustee agrees otherwise, any such modification shall be notified by the HKMC to the holders of Notes or, as the case may be, the holders of Notes of the relevant tranche or tranches as soon as possible thereafter.

(c) *Substitution*

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that to do so would not be materially prejudicial to the interests of the holders of the Notes or the Notes of any one tranche, may agree, without the prior consent of such holders, or the holders of any Coupons appertaining thereto, to the substitution of a subsidiary (as defined in the Trust Deed) of the HKMC in place of the HKMC or any previous substitute as principal debtor under the Notes and any Coupons or the Notes and any Coupons of any one tranche and the Trust Deed in respect of such Notes and Coupons, *provided that* the obligations of such subsidiary in respect of such Notes and Coupons and the Trust Deed in respect thereof shall be guaranteed by the HKMC in such form as the Trustee may reasonably require.

Any substitution pursuant to this Condition 8 shall be binding on the Noteholders and the Couponholders (if any) and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 10.

9. Prescription

The right of the holder to receive any payment under the Notes shall become void 12 years (in the case of principal) or six years (in the case of interest) after the Relevant Date for such payment.

For the purposes of this Condition 9, the “**Relevant Date**” in relation to any payment due on a Note means the date on which such payment first becomes due, except that if the full amount of the moneys payable on such date in respect of such Note has not been received by the Paying Agents on or prior to such date, the “**Relevant Date**” means the date 14 days after the date on which notice is duly given to the holder of this Notes in accordance with Condition 10 that such moneys have been so received.

10. Notices

(a) Global Notes

Until such time as any Definitive Notes are issued and so long as the Global Note is held in its entirety on behalf of the Operator, any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to the Paying Agents and the Operator for communication to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to the Paying Agents and the Operator.

(b) Definitive Notes

Any notice to the holder of any Definitive Note shall be validly given if published (i) in the South China Morning Post in Hong Kong or, if that newspaper shall cease to be published or timely publication therein shall not be practicable, in another English language newspaper with general circulation in Hong Kong; and (ii) in the Hong Kong Economic Journal in Hong Kong or, if that newspaper shall cease to be published or timely publication therein shall not be practicable, in another Chinese language newspaper with general circulation in Hong Kong or, in either case, in such other manner as the HKMC, with the approval of the Trustee, shall determine. Any such notice shall be deemed to have been given on the date of first publication in an English or Chinese language newspaper. Couponholders (if any) will be deemed for all purposes to have notice of the contents of any notice given to the holders of Definitive Notes in accordance with this Condition 10.

(c) Notices from Noteholders

If Definitive Notes have been issued, notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relevant Note or Notes, with the Trustee (with a copy to the Paying Agents). While any Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Paying Agents in such manner as the Trustee, the Paying Agents and the Operator may approve for this purpose.

11. Further Issues

The HKMC may from time to time without the consent of the Noteholders or Couponholders create and issue further Notes which are (a) expressed to be consolidated and form a series with the Notes; and (b) identical to the Notes in all respects except for their respective issue prices, Issue Dates and Interest Commencement Dates and the dates of first payment of interest on them, and so that the same shall be consolidated and form a single series with the Notes, and references in these Conditions to Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single series with the Notes.

12. Replacement of Notes

Any Note (including for the purposes of this Condition any Coupon) which is lost, stolen, mutilated, defaced or destroyed may be replaced (if it is in definitive form) at the specified office of the Paying Agents upon payment by the claimant of the expense incurred in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the HKMC may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the HKMC without accounting for any profit resulting therefrom.

14. Governing Law and Jurisdiction

(a) Governing law

The Notes and the Coupons are governed by, and shall be construed in accordance with, the laws of Hong Kong.

(b) Jurisdiction

For the exclusive benefit of the Trustee, Noteholders, the HKMC hereby irrevocably agrees that the courts of Hong Kong are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and that accordingly any suit, action or proceedings (together in this Condition 14 referred to as “**Proceedings**”) arising out of or in connection with the Notes may be brought in such courts. Nothing contained in this Condition 14 shall limit the right of the Trustee or the Noteholders (where so permitted by the terms hereof) to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Waiver of immunity

The HKMC further irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the HKMC, and the HKMC irrevocably consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

RISK FACTORS

Potential investors in the Notes should carefully consider all the information set out in this Prospectus, including the risk factors highlighted below:

Political and Economic Factors

The revenue of the HKMC is generated solely from its operations in Hong Kong. From 1 July 1997, the People's Republic of China ("PRC") resumed its exercise of sovereignty over Hong Kong, which has become a special administrative region of the PRC. The general political and economic circumstances of the PRC and Hong Kong will impact on the operations and performance of the HKMC. Future political or economic instability or a slowdown in domestic economic activities, in particular those related to property, will have an adverse effect on the HKMC's business.

The gradual recovery of the Hong Kong economy has been slackened by the global economic downturn in 2000 and in 2001. Banks and financial institutions have continued to take a cautious approach in their corporate lending businesses, and have generally preferred to originate mortgages for their own portfolios rather than to dispose of them to any party, including the HKMC. This cautious attitude was further strengthened by the outbreak and continuation of a mortgage price war in Hong Kong since 1999, which reduced returns on the disposal of mortgages to other parties. The continuation or intensification of this trend may have an adverse effect on the business of the HKMC.

Relationship with the Government

Although the HKMC is wholly owned by the Government of Hong Kong, the Government does not provide any form of guarantee of the HKMC's borrowings or other obligations, including the Notes. In addition, partial or full privatisation of the HKMC in future may affect the HKMC's credit standing.

Interest Rate Risk

The HKMC's interest rate risk lies primarily in its mortgage asset and liability portfolios. The HKMC purchases two types of mortgages, namely, fixed rate mortgages and floating rate mortgages. To fund the fixed rate mortgage programme, the HKMC issues fixed rate notes in order to close out the risk of interest rate mismatch. To fund the purchase of floating rate mortgages, some of which are based on Hong Kong prime rate, the HKMC issues fixed rate notes and converts the fixed rate proceeds into floating rate funds, which are Hong Kong Interbank Offer Rate ("HIBOR") based, by entering into interest rate swap transactions. The basis risk between Hong Kong prime rate and HIBOR remains. As in the case of Authorized Institutions, the HKMC cannot fully hedge this basis risk.

The HKMC also needs to manage interest rate risk as measured by the duration gap arising from the temporary use of short term bank borrowing to finance the purchase of mortgages before refinancing through the issuance of longer term securities. In 2001, the duration gap was kept within three months; however, there can be no assurance that a satisfactory average duration gap will be achieved in future periods.

Mortgage Portfolio

The quality of the HKMC's mortgage portfolio and the exposure of the HKMC to the risk of default by mortgagors in respect of mortgages in its portfolio depend on both a careful initial selection of mortgages for purchase and the maintenance of a low delinquency ratio following purchase. There can be no assurance that the HKMC will in the future continue to have access to mortgages of sufficient quality to maintain the current overall quality of its portfolio. In addition, the residential property market in Hong Kong has been adversely affected by the Asian financial turmoil and the global economic downturn in general. A continuation or intensification of these trends could lead to increased delinquency rates in the HKMC's portfolio and a decline in the quality of mortgages available for purchase. Any of these factors may materially and adversely affect the HKMC's result of operations and its ability to service payments due on the Notes.

Mortgage-Backed Securitisation Programme

The HKMC established a Guaranteed Mortgage-Backed Pass-Through Securitisation Programme in October 1999 under which the HKMC will, in return for a fee, guarantee timely repayment of principal and interest in respect of the mortgage-backed securities issued by a special purpose vehicle formed for the purposes of this programme. In addition, the HKMC established a US\$3 Billion Mortgage-Backed Securitisation Programme in December 2001 under which Bauhinia MBS Limited, a Cayman Islands special purpose vehicle formed for the purposes of such programme, will from time to time issue mortgage-backed securities (which may or may not be guaranteed by the HKMC). It is envisaged that as the amount of notes guaranteed by the HKMC under these two programmes expands, the HKMC's guarantee liability will increase correspondingly and may become substantial.

Mortgage Insurance Programme

The exposure of the HKMC to the risk of default by the respective mortgagors in respect of its 90 per cent. Mortgage Insurance Programme (the "MIP") for mortgage loans secured by completed residential properties and 90 per cent. MIP for equitable mortgage loans secured on residential properties under construction depends on the quality of the mortgage loans under the insurance cover provided by the HKMC and on a careful initial screening of mortgage loans eligible for the MIP. The expansion of the 90 per cent. MIP to include equitable mortgage loans secured on residential properties under construction exposes the HKMC to additional risks: the project completion risk and liquidity risk of the equitable mortgage loan.

The HKMC obtains reinsurance from the Approved Reinsurers for the whole or a portion of the insurance cover amount. There can be no assurance that the HKMC will in the future continue to have mortgages for the MIP of sufficient quality to maintain the current overall quality of its mortgage insurance portfolio. In addition, the residential property market in Hong Kong has been adversely affected by the Asian financial turmoil and the global economic downturn in general. A continuation or intensification of these trends could lead to increased delinquency rates in the mortgages underlying the HKMC's mortgage insurance portfolio. Any of these factors may materially and adversely affect the HKMC's result of operations and its ability to make payments due on the Notes.

Market for and Trading Price of the Notes

Although market making arrangements have been made for the Notes, there can be no assurance that an active secondary trading market will develop for the Notes following their issue. In addition, the market making arrangements do not assure that members of the public will have access to a firm bid price or a firm offer price for Notes in a principal amount which they wish to purchase or sell. Furthermore, the Notes in the secondary market could be traded in the secondary market at prices that may be higher or lower than the initial subscription price or purchase price depending on many factors, including prevailing interest rates, the HKMC's results of operations and its perceived credit quality and the market for any similar securities.

Interest will be calculated and paid at the specified rates by reference to 100 per cent. of the principal amount of the Notes. The total return on the Notes, or yield to maturity, however, will depend on the Subscription Price. If the Subscription Price is greater than 100 per cent. of the principal amount of the Notes, the annualised yield will be lower than the specified interest rate (on an annualised basis); if the Subscription Price is lower than 100 per cent. of the principal amount of the Notes, the annualised yield will be greater than the specified interest rate (on an annualised basis). The Subscription Price will be fixed so that the annualised yield on the Notes is equal to the offer yield of an identified EFN or, in the case of the Tranche A Notes, EFB on the Price-fixing Date plus a specified margin: see the section headed "Summary of the Notes being Offered — Subscription Price" in this Prospectus. Accordingly, there can be no assurance that the annualised yield on the Notes by reference to the Subscription Price will not be significantly less than the specified interest rate, or that the Subscription Price will not be fixed at a level significantly higher than 100 per cent. of the principal amount of the Notes.

USE OF PROCEEDS

The proceeds of issue of the Notes will be used by the HKMC for general working capital purposes.

THE HONG KONG MORTGAGE CORPORATION LIMITED

General Profile

The Hong Kong Mortgage Corporation Limited (the “**Corporation**” or the “**HKMC**”) is a corporation wholly owned by the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**” or the “**HKSAR**”) through the Exchange Fund. The HKMC was incorporated in March 1997 as a public company with limited liability under the *Companies Ordinance*.

Strategic Mission

The HKMC is established on a commercial basis with the mission of promoting the development of the secondary mortgage market in Hong Kong. Over time, its operations are expected to bring benefits to Hong Kong in terms of improving banking and monetary stability, facilitating the development of the local debt market and promoting home ownership.

Principal Activities

The Corporation’s principal activities are:

- (i) to purchase mortgage loans secured by residential properties located in Hong Kong from the approved sellers (“**Approved Sellers**”) including institutions authorised under the *Banking Ordinance* (the “**Authorized Institutions**”), government bodies and agencies and related organisations, statutory bodies, public bodies (as such entities are designated under the *Prevention of Bribery Ordinance*) and property developers (or a financing entity affiliated to any such property developer), according to predetermined purchasing criteria;
- (ii) to raise funds for its purchase of mortgage loans through the issuance of debt securities in the capital markets;
- (iii) to securitise mortgage portfolios by issuing mortgage-backed securities (the “**MBS**”) to investors; and
- (iv) to provide mortgage insurance for Authorized Institutions in their business of granting mortgage loans secured by residential properties or those under construction located in Hong Kong, according to predetermined insurance eligibility criteria.

Public Sector Entity Status

The HKMC is recognised by the Hong Kong Monetary Authority as a “public sector entity” under the *Banking Ordinance*. Accordingly, debt securities issued or guaranteed by the HKMC carry a 20 per cent. risk weighting for the purpose of calculating the capital adequacy ratio of Authorized Institutions under the *Banking Ordinance*. The Notes therefore carry a 20 per cent. risk weighting for capital adequacy ratio purposes. In addition, the Notes qualify as “liquefiable assets” for the purposes of the *Banking Ordinance*.

Authorized Insurer Status

The HKMC is approved by the Insurance Authority as an “authorized insurer” under the *Insurance Companies Ordinance*. The HKMC’s mortgage insurance business is subject to the regulatory requirements of the *Insurance Companies Ordinance* and the prudential supervision of the Insurance Authority.

Credit Ratings

On 26 July 2001, the international credit rating agencies Moody's and Standard & Poor's assigned to the HKMC the following credit ratings, which are the same as those of Hong Kong:

	Moody's		Standard & Poor's	
	Short-term	Long-term	Short-term	Long-term
Foreign currency (Outlook)	P-1 (stable)	A3 (positive)	A-1 (stable)	A+ (stable)
Local currency (Outlook)	P-1 (stable)	Aa3 (stable)	A-1+ (stable)	AA- (stable)

Revolving Credit Facility from the Exchange Fund

On 27 January 1998, the HKMC entered into an agreement with the Monetary Authority through which the Exchange Fund provides a HK\$10 billion revolving credit facility to the Corporation. This credit facility provides a fallback for the Corporation in terms of access to short term funding for the purposes of bridging the gap between the purchase of mortgage loans and the issuance of debt securities.

Shareholding Structure

The Corporation has an authorised share capital of HK\$3,000,000,000, of which HK\$2,000,000,000 has been paid-up, divided into 3,000,000,000 shares of HK\$1 each. All of the issued shares of the HKMC are beneficially owned by the Financial Secretary of Hong Kong as Controller of the Exchange Fund.

The Exchange Fund was originally constituted by the *Currency Ordinance* of 1935 which was later renamed the *Exchange Fund Ordinance*. Under the *Exchange Fund Ordinance*, the Exchange Fund is placed under the control of the Financial Secretary and is available for use by him for purposes specified in that Ordinance, including for matters affecting, directly or indirectly, the exchange value of Hong Kong's currency and for maintaining the stability and integrity of the monetary and financial systems of Hong Kong with a view to maintaining Hong Kong as an international financial center.

Board of Directors

The Financial Secretary of Hong Kong is *ex officio* the Chairman of the Board of Directors of the HKMC. Following the convening of the Company's Fifth Annual General Meeting held on 15 April 2002, the composition of the Board of Directors of the HKMC for the year 2002-2003 is as follows:

<u>Name and Business Address</u>	<u>Position</u>	<u>Other Interests</u>
The Honourable LEUNG Kam Chung, GBS, JP 12th Floor, West Wing Central Government Offices Lower Albert Road Hong Kong	Chairman and Executive Director	Financial Secretary of Hong Kong
Joseph YAM Chi Kwong, GBS, JP 30th Floor 3 Garden Road Central Hong Kong	Deputy Chairman and Executive Director	Chief Executive of the Hong Kong Monetary Authority

<u>Name and Business Address</u>	<u>Position</u>	<u>Other Interests</u>
Norman CHAN Tak Lam, SBS, JP 30th Floor 3 Garden Road Central Hong Kong	Executive Director	Deputy Chief Executive of the Hong Kong Monetary Authority
Anthony Robert LATTER, JP 30th Floor 3 Garden Road Central Hong Kong	Executive Director	Deputy Chief Executive of the Hong Kong Monetary Authority
Ronald Joseph ARCULLI, GBS, JP Room 2012, Hutchison House 10 Harcourt Road, Central Hong Kong	Director	Managing Partner of Arculli and Associates
Professor Andrew Chi Fai CHAN, Ph.D. 22nd Floor, K.Wah Centre 191 Java Road North Point Hong Kong	Director	Chairman of Consumer Council
The Honourable Bernard Charnwut CHAN 16th Floor, Worldwide House 19 Des Voeux Road Central Hong Kong	Director	Executive Director of Asia Financial Group
The Honourable CHAN Kwok Keung Room 603, Citibank Tower 3 Garden Road Hong Kong	Director	Legislative Councillor
Eddy FONG Ching, SBS, JP 22nd Floor, Prince's Building 10 Chater Road, Central Hong Kong	Director	Partner of PricewaterhouseCoopers
Clifford Rowland FORSTER 39th Floor, Suites 3901-04 Two Exchange Square Central Hong Kong	Director	Deputy Chief Executive and Regional Director, Asia Lloyds TSB Bank plc
Stephen IP Shu Kwan, GBS, JP 18th Floor, Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong	Director	Secretary for Financial Services of Hong Kong
LAM Yim Nam 11th Floor, Bank of China Building 2A Des Voeux Road Central Hong Kong	Director	Deputy Chief Executive Bank of China (Hong Kong) Limited

<u>Name and Business Address</u>	<u>Position</u>	<u>Other Interests</u>
Dr. the Honourable David LI Kwok Po, GBS, LLD (Cantab), JP 22nd Floor 10 Des Voeux Road Central Hong Kong	Director	Chairman and Chief Executive The Bank of East Asia, Limited
The Honourable SIN Chung Kai Room 601, Citibank Tower 3 Garden Road, Central Hong Kong	Director	Legislative Councillor
Brian YIU Chi Pang 8th Floor Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong	Director	Head, Debt Capital Markets Global Markets – Asian Fixed Income Standard Chartered Bank

Directors' Interests in Transactions and Contracts

The following directors of the HKMC may be deemed to be interested in any contracts which have been entered, or may be entered, into between the HKMC and them for the reasons set out below:

- (1) The Hon. Leung Kam Chung is the Financial Secretary of Hong Kong as Controller of the Exchange Fund. Mr. Joseph Yam Chi Kwong is the Monetary Authority appointed by the Financial Secretary under the *Exchange Fund Ordinance*. The Monetary Authority acted as the arranger, agent and operator in respect of the HKMC's HK\$20 billion Note Issuance Programme (the "NIP") until 31 August 2001. The Monetary Authority also acts as the custodian and clearing agent for the HKMC's HK\$20 billion Debt Issuance Programme (the "DIP"). On 27 January 1998, the HKMC entered into an agreement with the Monetary Authority through which the Exchange Fund provides a HK\$10 billion revolving credit facility to the Corporation. This credit facility provides a fallback for the Corporation in terms of access to short term funding for the purposes of bridging the gap between the purchase of mortgage loans and the issuance of debt securities.
- (2) Mr. Ronald Joseph Arculli is a director of Sino Land Company Limited, the holding company of 8 affiliated companies from which the HKMC has purchased mortgage loans of around HK\$390 million.
- (3) Dr. the Hon. David Li Kwok Po is the Chairman and Chief Executive of The Bank of East Asia, Limited which is (a) a Selling Group Member under the DIP; (b) an Approved Seller/Service under the Mortgage Purchase Programme (the "MPP") of the HKMC; and (c) an approved Authorized Institution (the "Approved AI") under the Mortgage Insurance Programme (the "MIP") of the HKMC.
- (4) The Hon. Bernard Charnwut Chan is a director of Asia Commercial Bank Limited which is (a) an Approved Seller/Service under the MPP; and (b) an Approved AI under the MIP. He is also a director of Asia Insurance Company, Limited which is an approved reinsurer under the MIP.
- (5) Mr. Eddy Fong Ching is a Member of The Hong Kong Housing Authority. The Hong Kong Housing Authority is an Approved Seller/Service under the MPP and has entered into an agreement with the HKMC on 28 March 2001 to sell mortgage loans of around HK\$18 billion to the HKMC by September 2002.
- (6) Mr. Lam Yim Nam is the Deputy Chief Executive of Bank of China (Hong Kong) Limited, which is (a) an Approved Seller/Service under the MPP; (b) an approved AI under the MIP; and (c) one of the placing banks under the HKMC's retail notes issuance in January 2002.

- (7) The Hon. Sin Chung Kai is a Member of The Hong Kong Housing Authority with which the HKMC has entered into a transaction as described in the above paragraph (5).
- (8) Mr. Brian Yiu Chi Pang is the Head, Debt Capital Markets, Global Markets – Asian Fixed Income of Standard Chartered Bank, which is (a) Selling Group Member of the DIP; (b) an Approved Seller/Service under the MPP; (c) an Approved AI under the MIP; and (d) one of the placing banks under the HKMC's retail notes issuance in January 2002.

Save as disclosed in this Prospectus and the related party transactions as stated in Note 24 to the audited financial statements of the HKMC for the year ended 31 December 2001 (save and except that Ms. Anita Fung and Mr. Andy Hon referred to therein have resigned as Directors of the Corporation with effect from 15 April 2002), no contracts of significance in relation to the HKMC's business to which the HKMC was a party and in which any of the HKMC's Directors had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the HKMC a party to any arrangement to enable any of its Directors to acquire benefits by means of acquisition of shares in, or debt securities of, the HKMC or any body corporate.

Senior Management

Members of the Senior Management of the HKMC as at the date hereof are:

Mr. PANG Sing Tong, Peter, JP, Chief Executive Officer
Mr. LI Wing Kuen, Philip, Senior Vice President (Finance)
Mr. FOK Tsz Chun, Kenny, Senior Vice President (Operations)
Ms. CHEUNG Sau Fun, Susie, General Counsel and Company Secretary

Business Overview

The Corporation has planned to establish its business in two phases.

Phase I: the purchase of mortgage loans for its own retained portfolio with funding obtained primarily through the issuance of unsecured debt securities (the interest spread between the mortgage yield gained by the Corporation and its funding costs generates income for the Corporation); and

Phase II: the packaging of mortgage loans from its own portfolio and/or from portfolios of the Approved Sellers into MBS and the guaranteeing of the timely repayment of principal and interest of the MBS issued by special purpose vehicle(s) established by the HKMC in exchange for a guarantee fee.

The HKMC commenced its business in 1997 by purchasing mortgages from the Authorized Institutions and by issuing debt securities to fund its mortgage purchases. In December 2000, the Corporation widened the scope of the Approved Sellers to include government bodies and agencies and related organisations, statutory bodies, public bodies and property developers. In March 2001, the Corporation concluded an agreement with The Hong Kong Housing Authority, a government housing agency, for the purchase of around HK\$18 billion of mortgage loans under the Home Purchase Loan Scheme by September 2002. As at 31 January 2002, the HKMC had retained a portfolio of approximately 29,266 residential mortgage loans with a total outstanding principal balance of approximately HK\$19.3 billion. As at 31 March 2002, the HKMC had retained, in estimate, a portfolio of 35,900 residential mortgage loans with an aggregate outstanding principal balance of HK\$21.0 billion. These figures as at 31 March 2002 are provisional due to a three-month time lag in the reconciliation of the mortgage loans purchased from The Hong Kong Housing Authority.

The Corporation launched the MIP in March 1999. Under the MIP, the HKMC provides mortgage insurance cover at a fee to the Approved AIs under its MIP. The amount of mortgage insurance cover provided by the HKMC under the MIP is up to 20 per cent. (increased in August 2000 from the original 15 per cent.) of the value of the properties. This enables the HKMC's Approved AIs to advance mortgage loans up to a 90 per cent. loan-to-value ratio of the properties. In April 2001, the Corporation expanded the range of eligible products under the MIP to include equitable mortgage loans secured on residential properties under construction for the amount of mortgage insurance cover up to 15 per cent. of the value of the properties. This insurance cover ratio was increased to 20 per cent. of the value of the properties in July 2001. The HKMC covers its insurance risk by taking out mortgage reinsurance from its approved mortgage insurers (the "**Approved Reinsurers**") on a back-to-back and risk-sharing basis. The HKMC obtains reinsurance from the Approved Reinsurers for the whole or a portion of the insurance cover amount.

The Corporation's mortgage purchase programme requires efficient fund-raising through debt issuance. The Corporation has adopted a systematic approach to develop its debt issuance capability starting with raising funds in the Hong Kong dollar debt market. The outstanding balance of debt securities was HK\$24.0 billion as at 31 March 2002. Having established a track record in the local debt market, the Corporation is considering tapping the overseas capital markets as part of its fund raising strategy in the future.

In October 1999, the HKMC launched the Guaranteed Mortgage-Backed Pass-Through Securitisation Programme ("**MBS Pass-Through Programme**") under which the HKMC, in return for a guarantee fee, guarantees the timely payment of principal and interest in respect of the MBS issued by HKMC Funding Corporation (1) Limited, a special purpose vehicle formed for the purpose of this programme. In December 2001, the HKMC launched the US\$3 Billion Mortgage-Backed Securitisation Programme ("**Bauhinia MBS Programme**"), under which Bauhinia MBS Limited, a Cayman Islands special purpose vehicle formed for the purpose of such programme, will from time to time issue mortgage-backed securities. MBS may be issued by Bauhinia MBS Limited in different currencies and structures. As at 31 March 2002, the aggregate security principal balance of MBS guaranteed by the HKMC was HK\$807 million and HK\$1,982 million under the MBS Pass-Through Programme and the Bauhinia MBS Programme respectively.

Profitability

For the year ended 31 December 2001, the Corporation earned a profit after tax of HK\$255.5 million (2000: HK\$233.1 million) with a return on shareholder's equity of 9.4 per cent. (2000: 9.4 per cent.), a return on average assets of 1.2 per cent. (2000: 1.8 per cent.) and capital-to-assets ratio at 11.6 per cent. (2000: 13.5 per cent.).

Mortgage Portfolio

The HKMC believes it possesses a high quality mortgage portfolio. The Corporation adopts a four-pronged approach to uphold the asset quality of its mortgage portfolio, which includes the careful selection of Approved Seller/Service providers, the adoption of a rigorous due diligence process, a well-defined mortgage purchasing criteria, and the provision of adequate protection for higher risk mortgage loans.

As at 31 January 2002, the delinquency rate (for loans delinquent more than 90 days) of the HKMC's retained portfolio was approximately 0.27 per cent. (based on the outstanding principal balance and also based on a policy that estimated losses on mortgage loans overdue for more than 180 days will be written off from the HKMC's asset book and will be excluded for computation of the delinquency rate of the HKMC's retained portfolio). The delinquency rate as at 31 March 2002 was estimated to be 0.19 per cent., Other key statistics for the HKMC's retained portfolio (excluding the mortgage loans with co-financing arrangements) as at 31 March 2002 were as follows:

Loan-to-Value (" LTV ") ratio at origination	64.8 per cent.
Estimated current LTV ratio	102.5 per cent.
Average loan size	HK\$1.2 million
Occupancy status of underlying properties	100 per cent.
Debt-to-Income ratio at origination	38.3 per cent.

As there is a three-month time lag for reconciliation of the mortgage loans purchased from The Hong Kong Housing Authority and the top-up mortgage loans purchased from property developers do not have comparable statistics to the first-charge loan in the HKMC's retained portfolio, the mortgage loans purchased from The Hong Kong Housing Authority and property developers are excluded from the calculation of the above key statistics for the HKMC's retained portfolio.

Capital-to-Assets Ratio

The Financial Secretary has issued guidelines in respect of the minimum capital-to-assets ratio (the "CAR") to be maintained by the Corporation. The guidelines may be revised from time to time by the Financial Secretary. The Senior Management of the HKMC are required to report quarterly to the Board of Directors on the Corporation's CAR. If the Corporation has failed, or if it seems likely that the Corporation will fail, to maintain the minimum CAR as stipulated in the guidelines, the Board of Directors of the HKMC is required to report any such non-compliance to the Financial Secretary.

On 25 April 2001, the Financial Secretary approved a modification of the capital requirement framework of the Corporation which reflects the different levels of risk of the products comprised in the HKMC's retained mortgage portfolio, mortgage insurance and MBS portfolio of the revised CAR framework as follows:

Product	Minimum Capital-to-Assets Ratio
Mortgage Portfolio	5 per cent. of retained mortgage portfolio (based on notional amount; no change)
MBS Portfolio	2 per cent. of MBS portfolio (based on notional amount, previously at 5 per cent.)
Mortgage Insurance	0 per cent. of risk-in-force value of exposure covered by the reinsurance arrangement with Approved Reinsurers (previously at 5 per cent.) 5 per cent. of risk-in-force value of exposure not covered by reinsurance arrangement (no change)

CAPITALISATION

The following table sets out the unaudited capitalisation of the HKMC as at 31 March 2002:

	HK\$'000
Short-Term Liabilities	
HK\$ Short-term bank loans	—
HK\$ Note Issuance Programme Notes due within 1 year	3,000,000
HK\$ Debt Issuance Programme Notes due within 1 year	780,000
Long-Term Liabilities	
HK\$ Note Issuance Programme Notes due after 1 year	5,000,000
HK\$ Debt Issuance Programme Notes due after 1 year	13,186,000
HK\$ OTC Retail Notes Issuance due after 1 year	<u>2,081,650</u>
Total Loan Capital	<u>24,047,650</u>
Shareholder's Equity	
Share capital 2,000,000,000 shares issued and fully paid (authorized 3,000,000,000 shares of HK\$1 each)	2,000,000
Retained profit and contingency reserves	<u>904,757</u>
Shareholder's equity	<u>2,904,757</u>
Total Capitalisation	<u><u>26,952,407</u></u>

Note:

Save as disclosed herein, there has been no material change in the capitalisation of the HKMC since 31 March 2002.

**AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2001 OF THE HKMC**



ANDERSEN

Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

**Auditors' Report to the Shareholder of
The Hong Kong Mortgage Corporation Limited
(Incorporated in Hong Kong with limited liability)**

We have audited the financial statements of The Hong Kong Mortgage Corporation Limited (the "Company") on pages 57 to 75, which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare financial statements that give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Certified Public Accountants
Hong Kong,
15 April 2002.

THE HONG KONG MORTGAGE CORPORATION LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001**

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
		HK\$'000	HK\$'000
Interest income	3	1,019,025	1,009,737
Interest expense	4	<u>(694,595)</u>	<u>(652,026)</u>
Net interest income		324,430	357,711
Other income, net	5	<u>34,855</u>	<u>34,359</u>
Operating income		359,285	392,070
Operating expenses	6	<u>(101,424)</u>	<u>(98,427)</u>
Operating profit before provisions		257,861	293,643
Provisions for bad and doubtful loans	7	<u>(35,299)</u>	<u>(17,229)</u>
Profit before taxation		222,562	276,414
Taxation	8(a)	<u>32,964</u>	<u>(43,308)</u>
Net profit for the year		255,526	233,106
Retained profit brought forward		589,814	357,378
Transfer to contingency reserve	25	<u>(5,281)</u>	<u>(670)</u>
Retained profit carried forward		<u>840,059</u>	<u>589,814</u>

A separate statement of recognised gains and losses is not presented because there were no recognised gains or losses other than the net profit for the year.

THE HONG KONG MORTGAGE CORPORATION LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2001**

	Notes	2001	2000
		HK\$'000	HK\$'000
ASSETS			
Cash and short-term funds	10, 17	1,256,740	2,068,134
Interest and remittance receivables	11	337,176	249,112
Prepayments, deposits and other assets	12	36,326	5,636
Tax recoverable	8(b)	5,109	—
Deferred expense, net	13	38,273	112,879
Mortgage portfolio, net	14(a)	19,777,884	11,083,025
Investment in debt securities	16, 17	1,736,266	1,304,753
Fixed assets	15	32,058	21,077
		23,219,832	14,844,616
LIABILITIES			
Short-term bank loans	17	—	427,200
Interest payable	18	194,216	120,240
Accounts payable, accrued expenses and other liabilities	19	60,755	45,646
Provisions for taxation	8(b)	—	14,152
Unearned premiums	9	60,301	25,894
Debt securities	17, 20	20,058,550	11,621,000
		20,373,822	12,254,132
SHAREHOLDER'S EQUITY			
Share capital	22	2,000,000	2,000,000
Retained profit		840,059	589,814
Contingency reserve	25	5,951	670
		2,846,010	2,590,484
		23,219,832	14,844,616

Approved by the Board of Directors on 15 April 2002 and signed on behalf of the Board by:

Yam Chi Kwong, Joseph
Deputy Chairman

Anthony Robert Latter
Executive Director

THE HONG KONG MORTGAGE CORPORATION LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001**

	Notes	2001	2000
		HK\$'000	HK\$'000
Net cash outflow from operating activities	23	<u>(8,247,032)</u>	<u>(1,969,797)</u>
Taxation			
Hong Kong profits tax paid		(12,171)	(71,580)
Hong Kong profits tax refunded		<u>25,874</u>	<u>—</u>
Net tax refunded/(paid)		<u>13,703</u>	<u>(71,580)</u>
Investing activities			
Purchase of fixed assets		(21,208)	(8,402)
Purchase of investment in debt securities		(1,406,381)	(1,740,733)
Proceeds from redemption of investment in debt securities		<u>974,678</u>	<u>436,000</u>
Net cash outflow from investing activities		<u>(452,911)</u>	<u>(1,313,135)</u>
Net cash outflow before financing		<u>(8,686,240)</u>	<u>(3,354,512)</u>
Financing			
Proceeds from issue of debt securities		15,448,046	6,443,708
Redemption of debt securities		<u>(7,146,000)</u>	<u>(6,445,000)</u>
Net cash inflow/(outflow) from financing		<u>8,302,046</u>	<u>(1,292)</u>
Decrease in cash and cash equivalents		(384,194)	(3,355,804)
Beginning cash and cash equivalents		<u>1,640,934</u>	<u>4,996,738</u>
Ending cash and cash equivalents		<u>1,256,740</u>	<u>1,640,934</u>
Analysis of the balance of cash and cash equivalents			
Cash and short-term funds	10	1,256,740	2,068,134
Short-term bank loans	17	<u>—</u>	<u>(427,200)</u>
		<u>1,256,740</u>	<u>1,640,934</u>

THE HONG KONG MORTGAGE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

The financial statements of The Hong Kong Mortgage Corporation Limited (the “Company”) have been prepared under the historical cost convention, and in accordance with the provisions of the Hong Kong Companies Ordinance and accounting principles generally accepted in Hong Kong.

2. Principal accounting policies

a. *Adoption of Statements of Standard Accounting Practice (“SSAPs”)*

In the current year, the Company has adopted, for the first time, the following SSAPs issued by the Hong Kong Society of Accountants:

SSAP 14 (revised) Leases

SSAP 32 Consolidated financial statements and accounting for investments in subsidiaries.

There were no effects on net profit and opening balance of retained profit for the current year and prior year from the adoption of the above accounting standards.

b. *Income and expense recognition*

Provided it is probable that the economic benefits associated with a transaction will flow to the Company and the income and costs, if applicable, can be measured reliably, interest income, interest expense and others are recognised on the following bases:

(i) Interest income and expense

Interest income and expense are accrued on a time-apportioned basis on the principal outstanding and at the rate applicable, except in case of bad and doubtful loans (Note 2(g)).

(ii) Fee income and expense

Fee income and expense are recognised when earned or incurred.

c. *Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of fixed assets, the expenditure is capitalized as an additional cost of the fixed asset.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of each asset over its expected useful life.

The annual rates are as follows:

Leasehold improvements	over the unexpired period of the lease
Furniture and fixtures	over the unexpired period of the lease
Computer and related software	33-1/3%
Office equipment	33-1/3%
Motor vehicle	25%

d. *Foreign currencies*

The books and records are maintained in Hong Kong dollars. Transactions in other currencies during the year are translated into Hong Kong dollars at exchange rates prevailing in effect at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into Hong Kong dollars at rates of exchange in effect at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

e. *Deferred taxation*

Deferred taxation is provided under the liability method at the current tax rate in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future.

Deferred tax assets are not recognised unless the related benefits are expected to crystallize in the foreseeable future.

f. *Operating leases*

Leases where substantially all the rewards and risks of ownership remain with the leasing company are accounted for as operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the relevant leases. Lease income from operating sub-leases is recognised on a straight-line basis over the lease term.

g. *Bad and doubtful loans*

Provisions for bad and doubtful loans are charged to the profit and loss account on a monthly basis in accordance with the guidelines approved by the Board of Directors. General provision relates to exposures not separately identified but known from experience to exist in the mortgage portfolio. Specific provision for bad and doubtful loans generally applies to a mortgage loan that is overdue for more than 90 days and the current market value of the underlying property is less than the outstanding principal balance ("OPB") of the mortgage loan. When there is no longer any realistic prospect of recovery of the OPB of the mortgage loan, it will be written off at the discretion of the Credit Committee.

The accrual of interest on mortgage loans is discontinued when they become overdue for 90 days or more. Any previously accrued and uncollected interests on the loans are reversed against current period's interest income. Interest income on the overdue loans is only recognised when all arrears of principal and interest from the borrowers have been cleared and it is probable that the customer is capable of fully servicing his obligations under the terms of the loans for the foreseeable future.

h. *Investment in debt securities*

Held-to-maturity investments are investments which the Company has the expressed intention and ability to hold to maturity. They are carried at amortized cost less any provision for impairment in value.

The carrying amounts of held-to-maturity securities are reviewed at each balance sheet date to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when the carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account.

Provision against the carrying value of held-to-maturity securities are reversed to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist in the foreseeable future.

Upon disposal or transfer of held-to-maturity securities, any profit and loss thereon is accounted for in the profit and loss account.

i. *Notes issuance*

The notes issued under the Note Issuance Programme ("NIP") and Debt Issuance Programme ("DIP") and notes offered to retail investors through the Placing banks are stated at par value under debt securities in the balance sheet. Interest on the notes is accrued on a daily basis and charged to the profit and loss account. Discount on the notes is regarded as deferred expense whereas premium is accounted for as deferred income. Discount and premium are amortized over the entire life of the notes on an effective interest rate method and are accounted for as adjustment to the interest expense of the notes. The arranger and custodian fees paid under the NIP and DIP are amortized to the profit and loss account over the life of the notes issued.

On redemption/repurchase of the notes, the resulting gains or losses, being the difference between the redemption/repurchase amount and the carrying amount, are recognised in the profit and loss account in the year in which the redemption/repurchase takes place.

j. *Interest rate swap ("IRS") contracts for hedging purposes*

The IRS contracts are solely entered into as a hedge against interest rate risk on the assets and liabilities.

The net interest payable or receivable arising from the IRS contracts is recorded on an accrual basis and charged against interest income or interest expenses of the underlying assets and liabilities.

Gains and losses on early termination of the IRS contracts are immediately recognised in the profit and loss account when the underlying assets/liabilities are early disposed of/redeemed.

Gains and losses on early termination of the IRS contracts originally accounted for as a hedge to a asset/liability are amortized over the remaining original life of the IRS contracts when the underlying asset and liability is not early disposed of/redeemed.

k. *Mortgage guarantee business*

The mortgage guarantee business of the Company is accounted for on the annual accounting basis. Under the annual accounting approach, the Company makes provisions based on credible estimates of future income and outgoings to determine the underwriting result for the current accounting period. The underwriting result includes any adjustments arising from the correction of the previous estimates.

Gross premiums represent direct business written through the Authorized Institutions during an accounting period. The gross premiums include a major portion of reinsurance premiums paid to approved reinsurers and the net premiums including risk premium portion and/or servicing fee to be earned by the Company. The net premiums are recognised as income on a time-apportioned basis when the insurance coverage has been effective.

Unearned premiums represent that portion of net premiums written which are estimated to relate to risks and services subsequent to the balance sheet date.

Provisions are made for outstanding claims, claims incurred but not reported, loss reserve and unexpired risk at the end of each year. For risk sharing business, 50% of the net risk premiums earned is set aside as a Contingency Reserve for a reasonable period of time in accordance with relevant regulatory guidelines and considered by directors as appropriate.

l. *Guaranteed mortgage-backed pass-through securitization*

Upon completion of the sale of a mortgage pool to a third party Special Purpose Entity (“SPE”) under the Guaranteed Mortgage-Backed Pass-Through Securitisation Programme (“MBS Pass-Through Programme”), the Company derecognizes the applicable mortgage pool from its balance sheet; recognizes all assets obtained and liabilities incurred in consideration as proceeds of the sale, including cash and contingent liability in respect of guarantee on timely payment of principal and interest on the MBS; and recognizes in the profit and loss account any gain or loss on the sale.

In the event that the Company guarantees the collectibility of the mortgage pool, it recognizes a monthly guarantee fee income from the SPE in the profit and loss account on a time-apportioned basis. Since the Company assumes all credit risks arising from the mortgage loans under the MBS Pass-Through Programme, it adheres to the loan provisioning guidelines in Note 2(g) approved by the Board of Directors for making necessary provisions in the profit and loss account.

3. Interest income

	<u>2001</u>	<u>2000</u>
	HK\$'000	HK\$'000
Mortgage portfolio	776,631	736,337
Cash and short-term funds	191,442	187,367
Investment in debt securities – listed	5,760	1,935
Investment in debt securities – unlisted	45,192	84,098
	<u>1,019,025</u>	<u>1,009,737</u>

4. Interest expense

	<u>2001</u>	<u>2000</u>
	HK\$'000	HK\$'000
Bank loans, short-term bills and debt securities wholly repayable within 5 years	689,616	638,164
Debt securities not wholly repayable within 5 years	4,979	13,862
	<u>694,595</u>	<u>652,026</u>

5. Other income, net

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Early prepayment fees and late charges	6,435	9,706
Subletting income of office premises (Note 24)	2,640	2,640
Net premiums earned (Note 9)	24,163	8,352
Guarantee fee income on MBS	3,318	6,060
Excess servicing receipts on MBS	1,329	4,053
Issuance costs of debt securities	(2,829)	(1,823)
Others	(201)	5,371
	<u>34,855</u>	<u>34,359</u>

6. Operating expenses

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Staff costs		
Salaries and benefits	62,647	58,736
Premises		
Rental	10,422	10,422
Others	3,188	3,118
Directors' emolument	—	—
Depreciation	10,227	12,181
Consultancy fee	2,776	3,450
Auditors' remuneration	250	250
Other operating expenses	11,914	10,270
	<u>101,424</u>	<u>98,427</u>

7. Provisions for bad and doubtful loans

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Provisions against mortgage portfolio		
— specific	25,712	13,418
— general	9,587	3,811
	<u>35,299</u>	<u>17,229</u>

8. Taxation

(a) Taxation (credit)/charge in the profit and loss account represents:-

	<u>2001</u>	<u>2000</u>
	HK\$'000	HK\$'000
Hong Kong profits tax		
Provision for the year	1,414	44,012
Overprovision in respect of prior years	<u>(36,620)</u>	<u>(328)</u>
	(35,206)	43,684
Deferred taxation	<u>2,242</u>	<u>(376)</u>
	<u><u>(32,964)</u></u>	<u><u>43,308</u></u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Deferred taxation has been provided on the timing difference arising from tax allowance in excess of depreciation. There is no significant unprovided deferred taxation as at and for the year ended 31 December 2001.

(b) (Tax recoverable)/Provision for taxation in the balance sheet represents:-

	<u>2001</u>	<u>2000</u>
	HK\$'000	HK\$'000
Tax recoverable for Hong Kong profits tax	(9,991)	—
Hong Kong profits tax	—	11,512
Deferred taxation	<u>4,882</u>	<u>2,640</u>
	<u><u>(5,109)</u></u>	<u><u>14,152</u></u>

9. Revenue account for mortgage guarantee business

	<u>2001</u>	<u>2000</u>
	HK\$'000	HK\$'000
Gross premiums written	204,791	122,698
Reinsurance premiums	<u>(146,049)</u>	<u>(93,524)</u>
Net premiums written	<u>58,742</u>	<u>29,174</u>
Add: unearned premium brought forward	25,894	5,018
unearned premium carried forward	<u>(60,301)</u>	<u>(25,894)</u>
Increase in unearned premiums	<u>(34,407)</u>	<u>(20,876)</u>
Net premiums earned before provision	24,335	8,298
(Provisions)/write-back for outstanding claims (Note 21)	<u>(172)</u>	<u>54</u>
Net premiums earned (Note 5)	24,163	8,352
Management expenses	<u>(3,320)</u>	<u>(2,554)</u>
Underwriting gains	<u><u>20,843</u></u>	<u><u>5,798</u></u>

The management expenses formed part of the operating expenses in Note 6.

10. Cash and short-term funds

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Cash at banks (Note 17)	2,664	2,393
Time deposits with banks (Note 17)	<u>1,254,076</u>	<u>2,065,741</u>
	<u>1,256,740</u>	<u>2,068,134</u>

11. Interest and remittance receivables

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest receivable from mortgage portfolio	34,749	36,298
Interest receivable from interest rate swap contracts	244,674	124,715
Interest receivable from investment in debt securities	3,038	22,618
Interest receivable from time deposits with banks	1,638	6,638
Loan instalments, in transit, from the Servicers	<u>53,077</u>	<u>58,843</u>
	<u>337,176</u>	<u>249,112</u>

12. Prepayments, deposits, and other assets

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Office rental deposit	2,293	2,239
Corporate club debentures	670	670
Other receivables, net	23,401	—
Others	<u>9,962</u>	<u>2,727</u>
	<u>36,326</u>	<u>5,636</u>

The Company reclassified a net amount of HK\$23,401,000 from “Mortgage portfolio, net” (Note 14(a)) to “Other receivables, net” in 2001. Of which the mortgage loans were overdue for 180 days or more, or the collateral properties were repossessed, or the mortgagors became bankrupt. The net amount represented the forced sale value of the collateral properties after setting off specific provisions of HK\$19,894,000 against the outstanding principal balance (HK\$43,295,000) of the mortgage loans.

13. Deferred expense, net

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Deferred expenses/(income) arising on issuance of debt securities		
At 1 January	112,879	39,050
Additions for the year		
— deferred expenses	137,459	182,447
— deferred income	(1,955)	(1,155)
Less: amortization	<u>(210,110)</u>	<u>(107,463)</u>
At 31 December	<u>38,273</u>	<u>112,879</u>

14. Mortgage portfolio, net

(a) Mortgage portfolio less provisions

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Outstanding principal balance of mortgage portfolio (Note 17)	19,812,453	11,119,240
Provisions for bad and doubtful loans		
— specific	(2,002)	(13,248)
— general	(32,567)	(22,967)
	<u>19,777,884</u>	<u>11,083,025</u>

At 31 December 2001, the mortgage portfolio had a weighted average remaining term of 13 years on a contractual basis, without taking into account any prepayment of the mortgage loans. Final maturity of the mortgage portfolio is in the year 2038.

The Company reclassified mortgage loans of HK\$43,295,000 and specific provision of HK\$19,894,000 from the "Mortgage portfolio, net" to "Other receivables, net" with a net balance of HK\$23,401,000 in 2001 (Note 12).

(b) Provisions for bad and doubtful loans

	<u>Specific</u>	<u>General</u>	<u>Total</u>	<u>Suspended Interest</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
At 1 January 2001	13,248	24,307	37,555	2,958
Amounts written off	(36,958)	—	(36,958)	(4,325)
Charge to profit & loss account	25,712	9,587	35,299	—
Interest suspended during the year	—	—	—	6,755
Suspended interest recovered	—	—	—	(1,174)
At 31 December 2001	<u>2,002</u>	<u>33,894</u>	<u>35,896</u>	<u>4,214</u>
	<u>Specific</u>	<u>General</u>	<u>Total</u>	<u>Suspended Interest</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
At 1 January 2000	4,042	20,496	24,538	661
Amounts written off	(4,212)	—	(4,212)	(1,137)
Charge to profit & loss account	13,418	3,811	17,229	—
Interest suspended during the year	—	—	—	4,042
Suspended interest recovered	—	—	—	(608)
At 31 December 2000	<u>13,248</u>	<u>24,307</u>	<u>37,555</u>	<u>2,958</u>

(c) The total mortgage loans on which interest has been placed in suspense or has ceased to accrue are as follows:-

	<u>2001</u>	<u>2000</u>
	HK\$'000	HK\$'000
Gross mortgage loans	49,920	46,148
Specific provisions	(2,002)	(11,392)
	<u>47,918</u>	<u>34,756</u>

Specific provisions were made after taking into account the current market value of the collateral of the delinquent loans.

15. Fixed assets

	<u>Leasehold improvements</u>	<u>Furniture and fixtures</u>	<u>Computers & related software</u>	<u>Office equipment</u>	<u>Motor vehicle</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Cost</u>						
As at 1 January 2001	11,233	1,775	39,060	1,749	539	54,356
Additions	<u>7</u>	<u>8</u>	<u>20,752</u>	<u>441</u>	<u>—</u>	<u>21,208</u>
As at 31 December 2001	<u>11,240</u>	<u>1,783</u>	<u>59,812</u>	<u>2,190</u>	<u>539</u>	<u>75,564</u>
<u>Accumulated depreciation</u>						
As at 1 January 2001	5,440	909	24,965	1,493	472	33,279
Charge for the year	<u>1,449</u>	<u>218</u>	<u>8,312</u>	<u>181</u>	<u>67</u>	<u>10,227</u>
As at 31 December 2001	<u>6,889</u>	<u>1,127</u>	<u>33,277</u>	<u>1,674</u>	<u>539</u>	<u>43,506</u>
<u>Net book value</u>						
Ending balance as at 31 December 2001	<u>4,351</u>	<u>656</u>	<u>26,535</u>	<u>516</u>	<u>—</u>	<u>32,058</u>
Ending balance as at 31 December 2000	<u>5,793</u>	<u>866</u>	<u>14,095</u>	<u>256</u>	<u>67</u>	<u>21,077</u>

16. Investment in debt securities

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Held-to-maturity securities		
Listed outside Hong Kong	90,235	129,832
Unlisted	<u>1,646,031</u>	<u>1,174,921</u>
	<u>1,736,266</u>	<u>1,304,753</u>
Market value of listed securities		
Issued by:		
— corporate entities	31,545	30,912
— others	<u>60,322</u>	<u>99,900</u>
	<u>91,867</u>	<u>130,812</u>

The held-to-maturity securities included above are issued by:

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Banks and other financial institutions	1,646,031	1,174,921
Corporate entities	29,961	29,931
Other	<u>60,274</u>	<u>99,901</u>
	<u>1,736,266</u>	<u>1,304,753</u>

17. Maturity profile

	<u>2001</u>						
	<u>Repayable</u>	<u>3 months</u>	<u>1 year</u>	<u>5 years</u>	<u>After</u>	<u>Undated</u>	<u>Total</u>
	<u>on demand</u>	<u>or less</u>	<u>or less</u>	<u>or less</u>	<u>5 years</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>but over</u>	<u>but over</u>	<u>1 year</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>3 months</u>	<u>1 year</u>	<u>5 years</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets							
— Cash and short-term funds	2,664	1,254,076	—	—	—	—	1,256,740
— Mortgage portfolio	10,133	453,827	1,004,146	5,744,416	12,598,484	1,447	19,812,453
— Investment in debt securities	—	399,994	50,037	1,286,235	—	—	1,736,266
	<u>12,797</u>	<u>2,107,897</u>	<u>1,054,183</u>	<u>7,030,651</u>	<u>12,598,484</u>	<u>1,447</u>	<u>22,805,459</u>
Liabilities							
— Short-term bank loans	—	—	—	—	—	—	—
— Debt securities	—	2,750,000	3,650,000	13,558,550	100,000	—	20,058,550
	<u>—</u>	<u>2,750,000</u>	<u>3,650,000</u>	<u>13,558,550</u>	<u>100,000</u>	<u>—</u>	<u>20,058,550</u>

	2000						Total HK\$'000
	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Assets							
— Cash and short-term funds	2,393	2,065,741	—	—	—	—	2,068,134
— Mortgage portfolio	1,696	132,880	401,722	2,431,559	8,133,774	17,609	11,119,240
— Investment in debt securities	—	649,954	125,023	429,875	99,901	—	1,304,753
	<u>4,089</u>	<u>2,848,575</u>	<u>526,745</u>	<u>2,861,434</u>	<u>8,233,675</u>	<u>17,609</u>	<u>14,492,127</u>
Liabilities							
— Short-term bank loans	—	427,200	—	—	—	—	427,200
— Debt securities	—	2,600,000	4,546,000	4,275,000	200,000	—	11,621,000
	<u>—</u>	<u>3,027,200</u>	<u>4,546,000</u>	<u>4,275,000</u>	<u>200,000</u>	<u>—</u>	<u>12,048,200</u>

18. Interest payable

	2001	2000
	HK\$'000	HK\$'000
Short-term bank loans	—	251
Debt securities	<u>194,216</u>	<u>119,989</u>
	<u>194,216</u>	<u>120,240</u>

19. Accounts payable, accrued expenses and other liabilities

	2001	2000
	HK\$'000	HK\$'000
Accounts payable and accrued expenses	55,411	39,942
Other provisions (Note 26)	<u>5,344</u>	<u>5,704</u>
	<u>60,755</u>	<u>45,646</u>

20. Debt securities

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fixed-rate bills and notes issued under the		
— NIP	10,500,000	9,000,000
— DIP	8,896,000	2,621,000
Other notes	662,550	—
	<u>20,058,550</u>	<u>11,621,000</u>
At 1 January	11,621,000	11,441,000
Issuance for the year	15,583,550	6,625,000
Less: Redemption	<u>(7,146,000)</u>	<u>(6,445,000)</u>
At the end of the year	<u>20,058,550</u>	<u>11,621,000</u>

Notes and bills issued during the year comprise:

	<u>NIP</u>	<u>DIP</u>	<u>Other notes</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Amount issued	<u>7,500,000</u>	<u>7,421,000</u>	<u>662,550</u>
Consideration received	<u>7,364,333</u>	<u>7,421,000</u>	<u>662,713</u>

All the debt securities issued are unsecured obligations of the Company, and are issued for the purposes of providing general working capital and refinancing.

21. Provisions for outstanding claims

Provisions for outstanding claims under the MIP are recorded net of recoveries from the approved reinsurers. At 31 December 2001, there was no loss reserve made for risk sharing business and no provision made in respect of "claims incurred but not reported" for both back-to-back and risk sharing businesses. For the year ended 31 December 2001, the gross claim was HK\$1,864,000 (2000: HK\$497,000), of which HK\$1,692,000 (2000: HK\$497,000) was recovered from the approved reinsurers.

22. Share capital

	<u>2001 & 2000</u>
	<u>HK\$'000</u>
Authorized	
3 billion ordinary shares of HK\$1 each	<u>3,000,000</u>
Issued and fully paid	
2 billion ordinary shares of HK\$1 each	<u>2,000,000</u>

23. Note to the cash flow statement

Reconciliation of profit before taxation to net cash outflow from operating activities:

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit before taxation	222,562	276,414
Depreciation	10,227	12,181
Amortization of deferred expenses	210,110	107,463
Provisions for bad and doubtful loans	35,312	17,833
Mortgage portfolio written off net of recoveries	(36,958)	(4,212)
Amortization of investment in debt securities	190	(20)
Increase in interest and remittance receivables	(88,064)	(64,060)
(Increase)/decrease in prepayments, deposits and other assets	(30,690)	2,519
Increase in mortgage portfolio	(8,693,213)	(2,369,870)
Increase in interest payable	73,976	23,470
Increase in accounts payable and accrued expenses and other liabilities	15,109	7,609
Increase in unearned premiums	34,407	20,876
	<u>(8,247,032)</u>	<u>(1,969,797)</u>

24. Related party transactions

Both Mr. Norman Chan and Mr. Tony Latter are the Deputy Chief Executives of the Hong Kong Monetary Authority. The Company is a member under the Central Moneymarkets Unit (“CMU”) Membership Agreement with the Monetary Authority through his CMU in respect of the Company’s HK dollar debt issuance and securities investment.

On 12 February 1999, the Company entered into a sub-tenancy agreement with Exchange Fund Investment Limited (“EFIL”) in which EFIL occupies part of the Company’s office premises at a fair market price. EFIL is wholly owned by the Exchange Fund. The sub-letting income was approximately HK\$2.6 million for the year ended 31 December 2001 (2000: HK\$2.6 million). Both Mr. Norman Chan and Mr. Eddy Fong are the directors of EFIL.

Ms. Anita Fung is the Head of Trading, Asia Pacific, Treasury and Capital Markets of HSBC, and The Hon. Sin Chung-kai is an Assistant IT Project Manager of HSBC. HSBC is (a) a primary dealer under the Company’s DIP; (b) an approved seller/servicer under the MPP; (c) an approved Authorized Institution under the MIP; (d) an adviser to the HKMC in connection with credit rating of the HKMC by Standard & Poor’s and Moody’s in 2001; and (e) one of the Placing Banks in the HKMC’s issuance of retail notes in October 2001.

Mr. Andy Hon is the General Manager, Mortgages and Auto, Consumer Banking Division of Standard Chartered Bank which is (a) a selling group member of the DIP; (b) an approved seller/servicer under the MPP; and (c) an approved Authorized Institution under the MIP.

25. Contingency reserve

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
At 1 January	670	—
Transfer of 50% of the net risk premiums earned from retained profits	5,281	670
	<u>5,951</u>	<u>670</u>

26. Effects on the consolidated financial statements of special purpose entities

In October 1999, the Company launched the MBS Pass-Through Programme under which the Company, in return for a guarantee fee, guarantees the timely payment of principal and interest in respect of the MBS issued by HKMC Funding Corporation (1) Limited, a Hong Kong special purpose entity (“SPE”) formed for the purpose of this programme.

In December 2001, the Company also launched the US\$3 Billion Mortgage-Backed Securitisation Programme, under which Bauhinia MBS Limited, a SPE incorporated in the Cayman Islands for the purpose of this programme, will from time to time issue mortgage-backed securities. MBS will be issued by Bauhinia MBS Limited in different currencies under different tranches.

The two SPEs are bankruptcy remote “orphan” companies. In the context of section 2(4) of the Companies Ordinance, the two SPEs are not construed as the Company’s subsidiaries. In accordance with the provisions of paragraph 27 of SSAP 32 “Consolidated financial statements and accounting for investments in subsidiaries”, the financial statements of these two SPEs have therefore not been consolidated into the Company’s financial statements for the year ended 31 December 2001. With regard to the mortgage loans sold by the Company to the two SPEs, this would be effected by way of a “clean sale” of such mortgage loans to the SPEs. All the mortgage loans sold to the SPEs will no longer be recognised as an asset in the balance sheet of the Company.

Up to 31 December 2001, HKMC Funding Corporation (1) Limited had issued 7 series of MBS totalling HK\$2,268 million and the Company had guaranteed the timely payment of principal and interest of the MBS. At 31 December 2001, the aggregate security principal balance of MBS guaranteed by the Company under the MBS Pass-Through Programme was HK\$873.8 million. As regards the Company’s loan provisioning on the guaranteed mortgage loans under the MBS Pass-Through Programme, a sum of HK\$1,327,000 (2000: HK\$1,340,000) was grouped under “Other provisions” (Note 19). The loan provision written back amounting to HK\$13,000 (2000: HK\$604,000) was included in the profit & loss account of the Company.

Bauhinia MBS Limited had not issued any MBS up to 31 December 2001. No financial accounts had been prepared for Bauhinia MBS Limited at 31 December 2001.

The operating profit after tax of HKMC Funding Corporation (1) Limited was HK\$20,000 for the year ended 31 December 2001. At 31 December 2001, HKMC Funding Corporation (1) Limited reported total assets of HK\$876,219,000 and total liabilities of HK\$876,177,000 with the shareholder’s equity of HK\$42,000. Its total assets and total liabilities consisted mainly of HK\$857,589,000 of securitized mortgage loans and HK\$873,822,000 of debt securities respectively.

In accordance with paragraph 46 of SSAP 32, the Company has set out below the significant items of the pro-forma consolidated profit and loss account and balance sheet of the Company and HKMC Funding Corporation (1) Limited for the years ended 31 December 2001 and 2000:

	2001	2000
	HK\$’000	HK\$’000
Net interest income	327,842	363,771
Net profit for the year	255,546	233,124
Mortgage portfolio, net	20,635,473	11,700,766
Cash and short-term funds	1,268,523	2,087,559
Interest and remittance receivables	343,999	259,483
Total Assets	24,095,571	15,491,764
Debt securities	20,932,372	12,263,546
Total Liabilities	21,249,519	12,901,258
Total Shareholder’s Equity	2,846,052	2,590,506
Capital-to-Assets ratio	11.4%	13.2%

27. Commitments

(a) Capital

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Authorized and contracted for	—	4,774
Authorized but not contracted for	<u>9,165</u>	<u>17,378</u>
	<u><u>9,165</u></u>	<u><u>22,152</u></u>

(b) Operating lease

Total future minimum lease payments under non-cancellable operating leases at the balance sheet date are analysed as follows:

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Office premises		
not later than one year	<u>11,001</u>	10,422
later than one year and not later than five years	<u>22,001</u>	<u>31,264</u>
	<u><u>33,002</u></u>	<u><u>41,686</u></u>

28. Operating sublease arrangement

At the balance sheet date, the total future minimum sublease payments expected to be received under the non-cancellable operating subleases in respect of the premises were HK\$6,840,000 (2000: HK\$2,160,000).

29. Fixed adjustable rate mortgages ("FARM") programme

The Company has committed to purchase a certain amount of eligible FARM from the approved seller/servicers on a first come, first served loan-by-loan basis. The gross mortgage rates are fixed for a period of one, two or three years. At 31 December 2001, there was no outstanding commitment amount to purchase FARM (2000: HK\$3.45 billion).

30. Mortgage insurance programme ("MIP")

The Company offers mortgage insurance which provides cover to the approved seller/servicers for credit loss of up to 20% of the property value of a mortgage loan when the loan amount has exceeded 70% of the property value at origination.

Under the back-to-back arrangement, the Company reinsures the risk exposure with the approved reinsurers on a 100% basis. The Company expanded risk sharing in mortgage insurance business from 20% to 50% with some approved reinsurers in 2001. At 31 December 2001, the risk-in-force was approximately HK\$2.85 billion (2000: HK\$1.55 billion) of which HK\$2.34 billion (2000: HK\$1.38 billion) risk for credit loss was ceded to the approved reinsurers and the balance of HK\$513 million (2000: HK\$172 million) was assumed by the Company.

31. Off-balance-sheet exposures

(a) Contingent liabilities

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Guarantees under MBS programme	<u>873,822</u>	<u>642,546</u>

(b) Financial contracts

Interest rate swap contracts are entered into for hedging the interest rate risk of the assets and liabilities.

i) The outstanding contracted notional amount of the interest rate swap contracts is as follows:

	<u>2001</u>	<u>2000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest rate swap contracts	<u>20,547,550</u>	<u>11,228,000</u>

ii) The replacement costs and credit risk-weighted amounts of the interest rate swap contracts are as follows. These amounts do not take into account the effects of bilateral netting arrangements with the counterparties.

	<u>2001</u>		<u>2000</u>	
	<u>Replacement cost</u>	<u>Credit risk- weighted amount</u>	<u>Replacement cost</u>	<u>Credit risk- weighted amount</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest rate swap contracts	<u>527,257</u>	<u>78,443</u>	<u>247,323</u>	<u>24,225</u>

The replacement costs represent the cost of replacing all interest rate swap contracts that have a positive value when marked to market. The credit risk-weighted amounts refer to the amount as computed in accordance with the Capital-to-Assets ratio guidelines (Note 32). The Company has not experienced any non-performance by its counterparties.

32. Capital-to-Assets ratio

To ensure that the Company is managed in a prudent manner, the Financial Secretary of the Government of the Hong Kong Special Administrative Region issued guidelines in 1997 in respect of the minimum Capital-to-Assets ratio ("CAR") to be maintained by the Company. With the Board of Directors' approval in October 2000, the Company proposed to the Financial Secretary to modify the guidelines to account for the different levels of risk of the products in the MBS guaranteed by the Company, retained mortgage portfolio and mortgage insurance. The revised guidelines were approved in April 2001. The minimum CAR stipulated in the guidelines is still at 5%. The CARs as at 31 December were calculated under the revised framework (31 December 2000: previously reported at 12.3%).

	<u>2001</u>	<u>2000</u>
Capital-to-Assets ratio	<u>11.6%</u>	<u>13.5%</u>

The Capital-to-Assets ratio is calculated as a ratio, expressed as a percentage, of its total capital base to the sum of its total on-balance sheet assets and total off-balance sheet exposures.

33. Comparative figures

Certain comparative figures for 2000 have been reclassified to conform to the current year's presentation as a result of adopting the latest SSAPs issued by the Hong Kong Society of Accountants.

34. Subsequent event

On 13 March 2002, the Company sold HK\$2 billion of mortgage loans from its retained mortgage portfolio at par to Bauhinia MBS Limited (the "Issuer") on a clean sale basis under the US\$3 Billion Mortgage-Backed Securitization Programme (the "Bauhinia MBS Programme"). The sale proceeds were used to meet general working capital requirements of the Company.

The Issuer issued mortgage-backed securities ("MBS") to fund the purchase of the above-mentioned mortgage loans from the Company on 13 March 2002. As a guarantor under the new issue, the Company guarantees timely repayment of the principal and interest of the MBS when they are contractually due in consideration of guarantee fee income. The contingent liability of the Company under the Bauhinia MBS Programme was approximately HK\$2 billion at 15 April 2002.

35. Approval of financial statements

The financial statements were approved by the Board of Directors on 15 April 2002.

SETTLEMENT, CLEARANCE AND CUSTODY

The following is a summary of the custody, settlement and clearance arrangements for the Notes.

Central Moneymarkets Unit Service

The Notes of each tranche will be represented by a Global Note which will be delivered to and held by a sub-custodian nominated by the Hong Kong Monetary Authority as operator of the CMU (the “**Operator**”). The Global Note will be held for the account of the Placing Banks or other CMU members who have accounts with the Operator (the “**CMU Participants**”).

Interests in the Global Notes will only be shown on, and transfers of interests will be effected through, records maintained by the Operator.

As long as the Operator is the holder of the Global Notes, the Operator will be considered the absolute owner of such Global Notes for all purposes under the Trust Deed. Owners of interests in such Global Notes will be entitled to receive Definitive Notes in limited circumstances as described under the section headed “Terms and Conditions of the Notes” in this Prospectus. Since the Operator can act only on behalf of the CMU Participants, who in turn may act on behalf of persons who hold interests through them (“**indirect participants**”), the ability of persons having interests in the Global Notes to pledge such interests to persons or entities that are not the CMU Participants, or otherwise take action in respect of such interests, may be affected by the lack of Definitive Notes.

While the Global Notes representing the Notes are held by or on behalf of the Operator, payments of interest or principal will be made to the persons for whose account a relevant interest in that Global Note is credited as being held by the CMU at the relevant time, as notified to the Principal Paying Agent by the Operator in a relevant CMU Instrument Position Report (as defined in the rules of the CMU) or in any other relevant notification by the Operator. Such payment shall discharge the obligations of the HKMC in respect of that payment. Payments by the CMU Participants to indirect participants will be governed by arrangements agreed between the CMU Participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU Participants.

Payments, transfers, exchanges and other matters relating to interests in the Global Notes may be subject to various policies and procedures adopted by the Operator from time to time. None of the HKMC, the Underwriting Banks, the Placing Banks, the Operator, the Paying Agents, the Trustee, the sub-custodian for the Operator or any of their agents will have any responsibility or liability for any aspect of the Operator’s records relating to, or for payments made on account of, interests in the Global Notes, or for maintaining, supervising or reviewing any records relating to such interests.

The Operator is under no obligation to maintain or continue to operate the CMU and the Operator is under no obligation to perform or continue to perform the procedures described above. Accordingly, the CMU and such procedures may be discontinued or modified at any time. None of the HKMC, the Trustee nor any of their agents will have any responsibility for the performance by the Operator or the CMU Participants of their respective obligations under the rules and procedures governing their operations.

Custody

Because the Global Notes will be deposited with the Operator as described above and settlement and clearance facilities will be provided by the CMU, Noteholders must make arrangements for their Notes to be held in custody with a CMU Participant (or an indirect participant). On issue, Notes will be delivered through the Placing Banks and in order to apply for Notes you must have, or open, an investment account with the Placing Bank to which you give your application instructions, each of which is a CMU Participant. The Placing Banks will charge a fee for the opening and operation of the investment account. Most banks and securities dealers in Hong Kong maintain, or have access to, an account with the CMU through which Notes may be held or transferred following issue.

Investment account and other custodian arrangements with respect to the Notes will be supplied by the Placing Banks (or other custody provider) subject to their standard terms and conditions for the provision of such services. The HKMC accepts no responsibility for the provision of such services or for any consequences of, or arising from, the use of such investment account or custody services.

MARKET MAKING ARRANGEMENTS

Bank of China (Hong Kong), Bank of Communications, The Bank of East Asia, CITIC Ka Wah Bank, Dao Heng Bank, HSBC, Hang Seng Bank, International Bank of Asia, Nanyang Commercial Bank, Shanghai Commercial Bank, Standard Chartered Bank and Wing Lung Bank (the “**market makers**”) have agreed with the HKMC in a market making agreement dated 22 May 2002 (the “**Market Making Agreement**”), to make a market in the Notes of each tranche. In the Market Making Agreement, each market maker has agreed that, subject to the terms of the Market Making Agreement, it will quote

- a price at which it is willing to purchase Notes (a “**bid**” price); and
- a price at which it is willing to sell Notes (an “**offer**” price).

The prices quoted will be firm prices for so long as the market maker may request the issue of additional Notes as described below, and thereafter the offer price will be quoted on a best efforts basis only.

The prices quoted will be by reference to a Note of HK\$50,000 or an integral multiple of HK\$50,000 and will be expressed as a percentage of the principal amount of the Notes.

Prices quoted by the market makers will reflect the trading price of the Notes from time to time in the secondary market. The trading price of the Notes may be equal to, higher or lower than the initial Subscription Price or purchase price and will vary depending on many factors, including prevailing interest rates, the HKMC’s results of operations and its perceived credit quality and the market for any similar securities.

The Market Making Agreement provides for the issue by the HKMC of additional Notes of each tranche up to a maximum of 30 per cent. of the amount of Notes of that tranche issued on the Issue Date to the market makers at a price to be agreed between them and the HKMC at the time of issue of such additional Notes. Within this 30 per cent. limit, the HKMC may by notice to the market makers adjust their individual ceilings at any time after three months from the initial issue date of the Notes. It is expected that these arrangements for the issue of additional Notes will be used to ensure that the market makers are able to deliver Notes to purchasers who wish to purchase Notes at the quoted offer price. It is expected that market makers may, in addition, make other arrangements, which may include Note borrowing and/or repurchase arrangements, to support their market making activities.

The HKMC may from time to time appoint additional or replacement market makers; it is the current intention of the HKMC to maintain market making arrangements similar to those described above for as long as the Notes remain outstanding, so far as reasonably practicable.

The initial market makers may resign their roles on giving not less than 90 days’ prior written notice to the HKMC.

These market making arrangements do not assure an active trading market for the Notes or that members of the public will have access to a firm bid price or a firm offer price for Notes in a principal amount which they may wish to purchase or sell.

PLACING AND UNDERWRITING ARRANGEMENTS

In respect of the placing of the Notes, the Placing Banks have entered into a Placing Bank Agreement with the HKMC dated 22 May 2002. Pursuant to that agreement, the Placing Banks will receive from the HKMC a placing and distribution fee of in respect of the Tranche A Notes, 0.10 per cent. of the principal amount of Notes allotted through them, in respect of the Tranche D Notes, 0.15 per cent. of the principal amount of Notes allotted through them, and in respect of the Tranche B Notes and the Tranche C Notes, 0.10 per cent. of the combined principal amount of the two tranches up to HK\$200,000,000 and 0.15 per cent. of the combined principal amount of the two tranches in excess of HK\$200,000,000 allotted through them. In addition, each Placing Bank will charge each successful applicant a handling fee of 0.15 per cent. of the Subscription Price of Notes subscribed through such Placing Bank.

In respect of the underwriting arrangements for the Notes, the Underwriting Banks have entered into an Underwriting Agreement with the HKMC dated 23 May 2002. Pursuant to the Underwriting Agreement, the Underwriting Banks have agreed severally to underwrite the issue of Notes by subscribing for Notes to the extent that public subscription falls short of (i) the minimum issue amount of each Tranche of Notes and (ii) an aggregate of HK\$1,500,000,000 of all the Notes. The Underwriting Banks will subscribe for any shortfall in proportion to their respective underwriting commitments, but subject to adjustments set out in the Underwriting Agreement (under which credit will be given for the principal amount of Notes subscribed as a result of valid applications received from the public through each Underwriting Bank in its capacity as a Placing Bank). The underwriting commitment of Bank of China (Hong Kong) is HK\$500,000,000; the underwriting commitment of HSBC is HK\$500,000,000 and the underwriting commitment of Standard Chartered Bank is HK\$500,000,000. Pursuant to the Underwriting Agreement, each Underwriting Bank will receive from the HKMC an underwriting commission of 0.15 per cent. of its underwriting commitment. The Underwriting Agreement provides that the HKMC will indemnify the Underwriting Banks against certain potential liabilities in connection with the underwriting arrangements; in addition, the HKMC has agreed to reimburse certain expenses of the Underwriting Banks in connection with the underwriting arrangements. The Underwriting Agreement provides that the subscription obligations of the Underwriting Banks are subject to certain conditions precedent, and entitles the Underwriting Banks to terminate the Underwriting Agreement in certain circumstances prior to the scheduled issue date for the Notes. The HKMC will give prompt public notice if the Underwriting Agreement is terminated in circumstances in which it does not intend to cancel the offering of all four tranches of the Notes. In such circumstances, if less than HK\$60,000,000 of Notes of any tranche is applied for, no Note of that tranche will be issued and the aggregate issue amount of the Notes may fall short of HK\$1,500,000,000.

Each Placing Bank and Underwriting Bank has acknowledged that no action has been or will be taken in any jurisdiction by the HKMC, any Underwriting Bank or any Placing Bank that would permit a public offering of the Notes, or the possession or distribution of the Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required other than Hong Kong. Each of the Placing Banks has represented and agreed that it has not offered or sold and will not offer or sell any Notes, and that it has not distributed and will not distribute, this Prospectus, any application form or any offering or publicity material relating to the Notes, outside Hong Kong. Each of the Underwriting Banks has warranted and agreed that it will (i) comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any such other material, in all cases at its own expense; and (ii) ensure that no obligations are imposed on the HKMC in any such jurisdiction as a result of any of the foregoing actions. The HKMC will not have any responsibility for, and each of the Underwriting Banks has agreed that it will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery.

TAXATION OF NOTES

The following summary of certain taxation provisions under Hong Kong law is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

Withholding tax

Under existing Hong Kong law, payments of principal and interest in respect of the Notes may be made without withholding for or on account of any Hong Kong taxes.

Stamp duty

The Notes are not subject to Hong Kong stamp duty or bearer instrument duty either upon issue or on any subsequent transfer.

Profits tax

Profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong as it is currently applied, interest on the Notes will be subject to Hong Kong profits tax where such interest is received by or accrued to:

- a financial institution (as defined in the Inland Revenue Ordinance) and such interest arises through or from the carrying on by the financial institution of its business in Hong Kong;
- a corporation carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong and is in respect of the funds of the trade, profession or business.

In addition, Hong Kong profits tax may be charged on profits arising on the sale, disposal or redemption of Notes where such sale, disposal or redemption are or form part of a trade, profession or business carried on in Hong Kong.

Estate duty

The Notes are Hong Kong property for the purposes of Hong Kong estate duty for so long as the Global Notes are (or, if definitive Notes are issued, the definitive Notes are) located in Hong Kong. Accordingly, Hong Kong estate duty may be payable in respect of the Notes on the death of the beneficial owner of the Notes (regardless of the place of the owner's residence, citizenship or domicile) or, where the holder of the Notes is a company, on the death of a related person.

GENERAL INFORMATION

1. The issue of the Notes was authorised and approved by written resolutions of the Board of Directors of the HKMC passed on 19 September 2001.
2. Save as disclosed in this Prospectus, there has been no material adverse change in the financial or trading position of the HKMC and its subsidiaries (if any) considered as a whole since the last day of the financial period in respect of which the most recent audited accounts of the HKMC have been published.
3. Save as disclosed in this Prospectus, there is no litigation, nor are there any claims, of material importance pending or, to the HKMC's knowledge, threatened against the HKMC or its subsidiaries (if any).
4. The HKMC will publish its audited annual report and accounts following the end of each of its financial years and its unaudited interim financial statements following the end of each of its semi-annual interim financial periods. So long as any Notes are outstanding, copies of the most recently published audited annual report and accounts and copies of the most recently published unaudited interim financial statements of the HKMC may be inspected upon request during normal business hours at the registered office of the HKMC and the principal office of the Principal Paying Agent, each as specified at the end of this Prospectus.
5. Until the Closing Date, copies of the following documents will be available for inspection at the principal office of the Principal Paying Agent and the registered office of the HKMC, each as specified at the end of this Prospectus:
 - (i) Memorandum and Articles of Association of the HKMC;
 - (ii) this Prospectus and any supplements thereto;
 - (iii) Placing Bank Agreement;
 - (iv) Underwriting Agreement;
 - (v) Trust Deed;
 - (vi) Paying Agency Agreement;
 - (vii) Deed Poll;
 - (viii) Market Making Agreement; and
 - (ix) Consent letter of Arthur Andersen & Co.

For so long as any Notes are outstanding, copies of the documents referred to in (v), (vi), (vii) and (viii) above will be available for inspection as described above under "Terms and Conditions of the Notes".
6. This Prospectus and the consent letter of Arthur Andersen & Co., attached to a signed copy of the Prospectus, have been registered with the Registrar of Companies in Hong Kong.
7. Arthur Andersen & Co., independent accountants and auditors of the HKMC (the "**Auditors**"), have given and have not withdrawn their written consent to the inclusion of their report dated 15 April 2002 in this Prospectus, in the form and context in which it is included. Such report was not prepared exclusively for incorporation in this Prospectus. The Auditors do not have any shareholding in the HKMC or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the HKMC or any of its subsidiaries.

8. No application form is being issued for the Notes. However, persons who instruct a Placing Bank to apply for Notes on their behalf will be treated as persons who subscribe for Notes for the purposes of section 40 of the Companies Ordinance of Hong Kong, which imposes liability on certain persons, including the directors of a company, to pay compensation to persons who subscribe for shares or debentures of a company on the faith of a prospectus for loss or damage sustained by reason of an untrue statement in the prospectus.
9. No person has, or is entitled to be given, an option to subscribe for shares or debentures of the HKMC.
10. No shares or debentures of the HKMC have been issued or agreed to be issued or fully or partly paid up otherwise than in cash within the three preceding years.
11. The articles of association of the HKMC provide that the Directors may exercise all the powers of the HKMC to borrow money for the purposes of the company without limit and upon such terms as they think fit.
12. DB Trustees (Hong Kong) Limited, whose principal office is at 55th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong, has been, and has agreed to its being, appointed as Trustee pursuant to the Trust Deed dated 22 May 2002 relating to the Notes, and details of the scope of its mandate as Trustee and the conditions under which it may be replaced as such may be found in that Trust Deed.
13. The Notes have been accepted for clearance through the CMU with the following CMU Instrument Numbers:

Tranche A	HKMCFN 02016
Tranche B	HKMCFN 02017
Tranche C	HKMCFN 02018
Tranche D	HKMCFN 02019

ISSUER

The Hong Kong Mortgage Corporation Limited

7th Floor
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11 Pedder Street
Hong Kong

UNDERWRITING BANKS

Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong	Standard Chartered Bank 4-4A Des Voeux Road Central Hong Kong
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PLACING BANKS

Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong	Bank of Communications Hong Kong Branch 20 Pedder Street Central Hong Kong
CITIC Ka Wah Bank Limited 232 Des Voeux Road Central Hong Kong	Dao Heng Bank Limited 10th Floor The Center 99 Queen's Road Central Hong Kong	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong	International Bank of Asia Limited 38 Des Voeux Road Central Hong Kong	Nanyang Commercial Bank, Limited 151 Des Voeux Road Central Hong Kong
Shanghai Commercial Bank Limited 12 Queen's Road Central Hong Kong	Standard Chartered Bank 4-4A Des Voeux Road Central Hong Kong	Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong

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Hong Kong

TRUSTEE

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AUDITORS

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