



The Hong Kong Mortgage Corporation Limited

wholly-owned by the Hong Kong SAR Government

Retail Bond Issue



Offer Period - 4 June 2008 to 13 June 2008

PLACING BANKS



^Δ The tenor of the Notes is 1 year extendable quarterly up to 2013.

^{*} The tenor of the Notes is 1 year extendable quarterly up to 2015.

[†] This is the highest potential coupon per annum if 3-month HIBOR is at or below 5% throughout each observation period. In the worst case, if 3-month HIBOR is above 5% throughout all observation periods, you will not receive any interest and will only be paid 100% of the principal amount at maturity.

Issue Prospectus dated 3 June 2008

We have registered a copy of this Issue Prospectus, signed on behalf of our directors, with the Registrar of Companies in Hong Kong as required by section 38D of the Companies Ordinance. Neither the Registrar of Companies nor the Securities and Futures Commission takes any responsibility for its contents.

WE ARE OFFERING FOUR SERIES OF NOTES

Series Issue number	Series A Notes HKMC 210 HK\$ 2.50% Notes due 2010	Series B1 Notes HKMC 105E HK\$ HIBOR-Linked Notes due 2009 (extendable quarterly to 2013)	Series B2 Notes HKMC 106E HK\$ HIBOR-Linked Notes due 2009 (extendable quarterly to 2015)	Series C Notes HKMC 107 AUD 7.15% Notes due 2009
Offer period	9 a.m. on 4 June 2008 to 2 p.m. on 13 June 2008 We may decide to close the offer early, or allow more time, without prior notice. We reserve the right to cancel the offer of any or all series at any time on or before the scheduled issue date.			
Currency	Hong Kong Dollars	Hong Kong Dollars	Hong Kong Dollars	Australian Dollars
Interest rate (coupon)	2.50% per annum	4.00% per annum times an Interest Factor	5.00% per annum times an Interest Factor	7.15% per annum
Interest Factor (for Series B1 and B2 Notes only)	Interest Factor for an observation period equals N divided by M N = Total number of calendar days in the relevant observation period on which the 3-month Hong Kong Interbank Offered Rate (HIBOR) (shown on Reuters Screen Page HKABHIBOR at or around 11:00 a.m.) is within the Range. M = Total number of calendar days in the relevant observation period. Interest will accrue on a daily basis when 3-month HIBOR is within the pre-determined Range. If 3-month HIBOR is outside the Range on a given day, you will not receive interest for that particular day. In the worst case, if 3-month HIBOR is outside the Range throughout all observation periods, you will not receive any interest and will only be paid 100% of the principal amount at maturity.			
Range (for Series B1 and B2 Notes only)	0% to 5% per annum (highest and lowest rates inclusive).			
Observation period (for Series B1 and B2 Notes only)	For every interest payment date there is a corresponding observation period during which we will observe the 3-month HIBOR on a daily basis. The observation period corresponding to an interest payment date starts on the interest payment date immediately preceding that interest payment date (or with respect to the observation period corresponding to the first interest payment date, the issue date) and ends on but excluding that interest payment date (or with respect to the observation period corresponding to the last interest payment date, the maturity date). The observation on the second last business day of each observation period will apply to the last business day of such observation period irrespective of the actual 3-month HIBOR on such business day. The observation on a day which is not a business day in Hong Kong will be deemed to be the same as the observation on the business day immediately preceding such day.			
Issue date	19 June 2008	19 June 2008	19 June 2008	19 June 2008
Subscription price	100%	100%	100%	100%
	When you place your order for the Notes, you pay the subscription price which is 100% of the principal amount of the Notes you order, plus a handling fee (<i>See the Appendix for further details</i>). For Series C Notes, both the subscription price and the handling fee will be in Australian dollars. The subscription price represents the actual amount of your investment in the Notes.			

WE ARE OFFERING FOUR SERIES OF NOTES

Handling fee	0.15%	0.15%	0.15%	0.15%
	This is the fee you pay the bank which handles your order, calculated as a percentage of the subscription price of the Notes you buy. It is in addition to the subscription price you pay to us.			
Total issue amount	We will decide the total principal amount of the Notes of each series to be issued in light of investor demand and our funding requirements. The minimum issue amount is HK\$1 million each for Series A, B1 and B2 Notes and AUD1 million for Series C Notes.			
Maturity date	21 June 2010	19 June 2009 subject to maximum Maturity Extension extendable up to 19 June 2013	19 June 2009 subject to maximum Maturity Extension extendable up to 19 June 2015	19 June 2009
	We will repay 100% of the principal of your Notes on the maturity date or the extended maturity date (for Series B1 and B2 Notes). We will not repay principal before these dates. If any of the dates on which we should pay principal is not a business day in Hong Kong (for Series A, B1 and B2 Notes) or in both Hong Kong and Sydney (for Series C Notes), we will make the payment on the next day which is a business day.			
Maturity Extension (for Series B1 and B2 Notes only)	We may, at our choice, extend the maturity date for Series B1 or B2 Notes by 3 months on every 19 March, 19 June, 19 September and 19 December in each year starting from 19 June 2009 until 19 March 2013 for our Series B1 Notes or until 19 March 2015 for our Series B2 Notes. The maximum maturity date for our Series B1 Notes is 19 June 2013 and the maximum maturity date for our Series B2 Notes is 19 June 2015 . If any of the extended maturity dates is not a business day in Hong Kong, it will fall on the next day which is a business day.			
	The banks with which you hold your Notes will give at least 3 business days' prior notice informing you whether or not we choose to extend. Where we choose to extend the maturity date, the notice will specify the actual extended maturity date.			
Interest payment dates	For Series A and C Notes, interest is payable at the end of every 6 months on 19 June and 19 December in each year starting from 19 December 2008 until the maturity date of the Notes. For Series B1 and B2 Notes, interest is payable at the end of every 3 months on 19 March, 19 June, 19 September and 19 December in each year starting from 19 September 2008 until the respective maturity date of the Notes. If any of the dates on which we should pay interest is not a business day in Hong Kong (for Series A, B1 and B2 Notes) or in both Hong Kong and Sydney (for Series C Notes), we will make the payment on the next day which is a business day and the interest payable will include interest accrued until the day immediately preceding such day.			
Minimum purchase amount	HK\$50,000	HK\$50,000	HK\$50,000	AUD10,000
	The Notes are sold in individual units (denominations) of HK\$50,000 for Series A, B1 and B2 Notes and AUD10,000 for Series C Notes. You can buy the Notes only in multiples of HK\$50,000 for Series A, B1 and B2 Notes and AUD10,000 for Series C Notes.			
Annualised yield	2.52% per annum	Not applicable*	Not applicable*	7.28% per annum
	The annualised yield is a measure of the actual return per year on your investment in the Notes (before handling, account and other fees payable to the banks).			
* The annualised yield for Series B1 and B2 Notes cannot be calculated as the interest rate applicable to Series B1 and B2 Notes is not fixed at the time of issue. As described above, the interest payable on Series B1 and B2 Notes depends on the level of 3-month HIBOR during specified observation periods.				

IMPORTANT

If you are in any doubt about any of the contents of this issue prospectus you should obtain independent professional advice.

Our Notes are issued under our HK\$20,000,000,000 retail bond issuance programme. You should read our programme prospectus dated 3 June 2008 (as amended or supplemented during the offer period) as well as this issue prospectus in order to understand the offer before deciding whether to buy our Notes.

We cannot give you investment advice: you must decide for yourself whether our Notes meet your investment needs, taking professional advice if appropriate.

WHERE CAN I BUY SOME NOTES?

You can buy our Notes from any of the banks listed here. Call a hotline to find out more or get a list of branches where you can place your order for our Notes. You can also find out how to get a copy of our programme prospectus by calling a hotline during normal business hours.

PLACING BANKS			
Bank	Hotline Number	Bank	Hotline Number
Bank of China (Hong Kong) Limited	3669 3668	Hang Seng Bank Limited	2998 9898
Bank of Communications Co., Ltd. Hong Kong Branch	2269 9699	The Hongkong and Shanghai Banking Corporation Limited	2233 3733
The Bank of East Asia, Limited	2211 1311	Industrial and Commercial Bank of China (Asia) Limited	2189 5588
China Construction Bank (Asia) Corporation Limited	2805 2383	Nanyang Commercial Bank, Limited	2622 2633
Chiyu Banking Corporation Limited	2232 3633	Shanghai Commercial Bank Limited	2818 0282
Chong Hing Bank Limited	3768 6888	Standard Chartered Bank (Hong Kong) Limited	2886 8868
CITIC Ka Wah Bank Limited	2287 6788	Wing Hang Bank, Limited	3199 9182
Dah Sing Bank, Limited	2828 8001	Wing Lung Bank Limited	2526 5555
DBS Bank (Hong Kong) Limited	2290 8888		

DO I NEED AN APPLICATION FORM?

No: we will not issue an application form for the Notes.

The bank with which you place your order will ask you to fill in their order form and to make a series of confirmations and acknowledgements, including that you have read and understood this issue prospectus and our programme prospectus.

Our Notes are not available to US persons.

Your bank should be able to explain to you how our Notes work and answer your questions.

WHAT CONFIRMATIONS DO I HAVE TO MAKE?

When you buy our Notes, your bank will require you to confirm for the benefit of the bank and us that:

- (i) you agree to accept the Notes applied for, or any lesser number allotted to you;
- (ii) you understand that no certificates of title will be available for your Notes and your interest in your Notes is in book-entry form only;

- (iii) you agree that if you are not allotted any Notes or if your application is successful only in part or if the Notes of the series you have applied for are not issued for any reason, the whole or an appropriate portion of the subscription amount will be returned to you without interest and at your own risk and that all interest will be retained for our benefit;
- (iv) you understand that the Notes will be held through the Central Moneymarkets Unit Service (CMU), which is a clearing system run by the Monetary Authority, which means that you will have to rely on the bank selected by you to credit the account you hold with that bank with payments credited to it through our principal paying agent or the CMU, and to distribute notices to you which it receives from us through our principal paying agent or the CMU;
- (v) you have received a copy of this issue prospectus and the programme prospectus, have read and understood this issue prospectus and programme prospectus and have relied on no other information or material relating to the Notes;
- (vi) you understand and agree that we accept no responsibility for the provision of bank services (including internet and telephone banking) and custody services by the bank or for any consequences of, or arising from the use of, the bank account and securities or investment account or custody services of the bank; and
- (vii) you confirm that you are not located within the United States 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).

If you place an order for our Notes, we will deem you to be making these confirmations to us on the understanding that we would not otherwise issue Notes for delivery to you. Your bank may well require you to make further confirmations in addition to these.

HOW DO I HOLD MY NOTES? WHAT MUST I RELY ON MY BANK TO DO FOR ME?

Our Notes will be issued in bearer form. We do not intend to issue individual certificates for our Notes, so you must arrange

for your bank to hold them in a securities or investment account. If you do not have a securities or investment account yet, you will have to open one before you can buy our Notes.

Discuss this with your bank and shop around if you wish: banks charge varying fees to open and maintain these accounts and have different arrangements for processing orders. Ensure you are familiar with the standard terms and conditions which your bank will apply to your account. Ask your bank to explain if you are not familiar with these arrangements.

Our Notes will be held in the CMU. Individual investors cannot open a personal account at the CMU: it serves only institutions.

Your bank will arrange to hold your Notes for you in an account at the CMU - either its own account or the account of its direct or indirect custodian with the CMU. We will pay interest and principal on our Notes to your bank through our principal paying agent or the CMU and you will have to rely on your bank to ensure that payments on your Notes are credited to your account with your bank. Any notices we give after our Notes are issued will also be given through our principal paying agent or the CMU: you will have to rely on your bank to ensure that our notices reach you. Similarly, you will have to rely on your bank to forward any notices from you to us through our principal paying agent or the CMU.

We do not accept any responsibility for the services provided to you by your bank.

WHAT ARE THE ARRANGEMENTS WITH THE BANKS SELLING THE NOTES? IS THE OFFER UNDERWRITTEN?

We have appointed the banks listed in this issue prospectus to take orders for our Notes. We will pay them a commission based on the amount of Notes they sell.

The Hongkong and Shanghai Banking Corporation Limited also agreed to underwrite our Series A Notes in a total principal amount of HK\$300 million. We will pay the underwriter an underwriting commission of 0.30% of its underwritten amount.

There are no soft commission or rebate arrangements between us and any of the banks.

The Notes are sold to you by subscription directly from us.

MORE INFORMATION ABOUT OUR NOTES AND OUR PROSPECTUSES

These are the answers to some frequently-asked questions. Our programme prospectus should answer your other questions.

WHAT ARE THE BENEFITS OF INVESTING IN THESE NOTES?

Our Notes:

- ◀ provide regular interest payments for the entire term of your investment (except for the Series B1 and B2 Notes for which the interest payable will depend on the level of 3-month HIBOR during specified observation periods)
- ◀ are available in different maturities to suit your investment needs
- ◀ are issued by The Hong Kong Mortgage Corporation Limited, a company wholly-owned by the Government.

WHAT IS THE HONG KONG MORTGAGE CORPORATION? WHY ISSUE THESE NOTES?

We are a Hong Kong-incorporated limited liability company and a public sector entity, wholly-owned by the Government through the Exchange Fund.

Our major businesses are:

- ◀ purchasing (i) mortgage loans secured on residential or commercial properties; (ii) interests and benefits under hire purchase or leasing arrangements; and (iii) other loans, whether secured on assets based in Hong Kong or elsewhere
- ◀ financing our purchases by raising funds through the issuance of debt securities such as these Notes
- ◀ securitising asset portfolios by issuing mortgage or asset-backed securities
- ◀ providing banks with mortgage insurance
- ◀ providing consultancy services in areas such as development of a secondary mortgage market, setting up of secondary mortgage facilities, mortgage-backed securitisation, mortgage insurance, process flow management and business operations.

None of our debt securities, including the Notes, are guaranteed by the Government.

ARE WE RATED?

Our current corporate credit ratings are as below.

	Moody's		Standard & Poor's	
	Short-term	Long-term	Short-term	Long-term
Local currency (Outlook)	P-1	Aaa (stable)	A-1+	AA (positive)
Foreign currency (Outlook)	P-1	Aa1 (positive)	A-1+	AA (positive)

These ratings reflect only the views of the credit rating agencies. They are not recommendations to buy, sell or hold securities and are subject to change, update or withdrawal at any time.

WHAT WILL BE MY INVESTMENT RETURN IF I BUY SOME NOTES?

First, we will pay back 100% of the principal amount of the Notes you buy on their scheduled maturity dates.

For our Series A and C Notes, we will pay interest at the fixed coupon rate, which is a yearly rate, on each scheduled interest payment date every six months.

The amount of interest payable is calculated on the principal amount of the Notes. Because we pay your annual interest in two six-monthly instalments in the case of Series A and C Notes, your effective annualised yield is in fact a little higher than the stated coupon because you receive half the annual interest after six months.

We will calculate the amount of interest payable on our Notes by counting the actual number of calendar days in the interest period assuming a year of 365 days.

For our Series B1 and B2 Notes, interest will accrue on a daily basis when 3-month HIBOR is within a pre-determined range of interest rates. If 3-month HIBOR is outside such range on a given day, you will not receive interest for that particular day. In the worst case, if 3-month HIBOR is outside the pre-determined range throughout all observation periods, you will not receive any interest and will only be paid 100% of the principal amount at maturity. Any accrued interest will be paid on each interest payment date every three months.

You should also note that our Series C Notes are denominated in Australian dollars. We will make all payments of interest and

principal on the Series C Notes in Australian dollars. The value of these payments in Hong Kong dollar terms will vary with the prevailing AUD/HKD exchange rate. Suppose, for example, that you buy the Series C Notes by converting your Hong Kong dollars to Australian dollars at the exchange rate available when you buy the Notes. If the Australian dollar depreciates against the Hong Kong dollar between then and when we pay back the principal in Australian dollars at maturity, the value of your investment in Hong Kong dollar terms will have declined.

The subscription price for the Notes is fixed at 100% and is equal to the principal amount.

Remember also to take into account the fees you will incur in ordering the Notes and in setting up and maintaining a securities or investment account at a bank to hold your Notes.

WHAT ARE THE FEATURES OF HIBOR-LINKED NOTES?

The interest on HIBOR-linked notes is calculated by reference to the level of HIBOR during each observation period. You should be aware that the HIBOR may fluctuate as a result of market conditions and economic factors and may go down as well as up, which may have a corresponding impact on the financial return of your investment. In respect of our Series B1 and B2 Notes, interest will accrue when 3-month HIBOR is within 0% to 5% (0% and 5% inclusive). If 3-month HIBOR is outside such range on a given day, you will not receive interest for that particular day. In the worst case, if 3-month HIBOR is outside such range throughout all observation periods, you will not receive any interest and will only be paid 100% of the principal amount at maturity. After each interest period, your bank will notify you in writing the amount of interest payable in respect of that interest period. At maturity, you will receive 100% of the principal amount.

The maturity date of the HIBOR-linked notes is subject to extension. We may, at our choice, extend the maturity date for our Series B1 or B2 Notes by 3 months on every 19 March, 19 June, 19 September and 19 December in each year starting from 19 June 2009 until 19 March 2013 (for our Series B1 Notes) or until 19 March 2015 (for our Series B2 Notes). You should note that the maximum maturity date is 19 June 2013 for our Series B1 Notes and the maximum maturity date is 19 June 2015 for our Series B2 Notes.

WHAT IF THE NOTES ARE OVER-SUBSCRIBED?

We intend to allocate at least one Note to everyone who applies. The remaining Notes will then be allocated to investors approximately in proportion to the number of Notes each investor applied for. If our Notes are so over-subscribed that we cannot even allocate one Note to each applicant, we will choose by ballot. All allocations will be made for each series of Notes separately.

CAN I SELL MY NOTES BEFORE THEIR MATURITY?

For our Series A and C Notes, you can contact any of the banks listed on page 3 of this issue prospectus any time after the issue date to ask for a price at which you can sell your Notes. These banks have agreed with us to quote prices, if they can. However, they may in future be unable to quote a price or may decide to discontinue this service. Prices quoted by different banks may not be the same.

For our Series B1 and B2 Notes, you can contact any of the banks listed on page 3 of this issue prospectus starting 1 month after the issue date to ask for a price at which you can sell your Notes. These banks have agreed with us to quote a price once a week (expected to be every Friday), if they can. If the day on which a bank quotes a price is not a business day, it will quote a bid price on the following business day. However, these banks may in future be unable to quote prices or may decide to discontinue this service and the prices quoted by any of them on a given day may not be the same. We will also, on a once-weekly (expected to be every Friday) best efforts basis, quote a price to these banks at which we are willing to buy back our Notes. If the day on which we quote a price is not a business day, we will quote a bid price on the following business day. You can contact these banks for the relevant settlement details.

We are not responsible for the establishment or maintenance of a secondary trading market in our Notes.

The trading price of our Notes will fluctuate depending on factors such as market interest rate movements, our financial condition and results from operations, the market's view of our credit quality and the market for similar securities. Also, the price of our Notes could be affected if there are only very few potential buyers in the market for our Notes.

If you try to sell your Notes before maturity you may receive an offer which is less than the amount you invested; or you may not be able to sell your Notes at all.

Our Notes are not listed and cannot be traded on the Hong Kong Stock Exchange.

WHERE CAN I FIND MORE INFORMATION ABOUT THE HONG KONG MORTGAGE CORPORATION AND THE NOTES?

Our Notes are issued under our retail bond issuance programme. The programme is described in our programme

prospectus dated 3 June 2008. Please read the programme prospectus together with this issue prospectus carefully before you decide whether to buy our Notes. The programme prospectus contains important information, including information about:

- ◀ our business, financial condition and profitability
- ◀ the risks of buying our Notes
- ◀ Hong Kong taxation applicable to our Notes
- ◀ the arrangements for holding and transferring Notes in the CMU and how we make payments and give notices through our principal paying agent or the CMU while the Notes are held in the CMU
- ◀ the legally binding terms and conditions of the Notes, including what happens if we default, and the role of DB Trustees (Hong Kong) Limited, as trustee. The trustee acts as the representative of Noteholders
- ◀ how your bank is likely to hold your Notes and receive notices and payments from us on your behalf.

You can ask for a printed copy of our programme prospectus at any bank where you can buy our Notes, or you can pick up a copy during normal business hours from our office at 80th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. You can also view both the programme prospectus and this issue prospectus on-screen by visiting our website: www.hkmc.com.hk.

We have not authorized anyone to give you any information about our Notes other than the information in this issue prospectus and our programme prospectus. You should not rely on any other information (including any other information on our website).

We will give notice of any information relating to us which is necessary to avoid the establishment of a false market in our Notes or which might reasonably be expected significantly to affect our ability to meet our commitments under our Notes.

Our programme prospectus and this issue prospectus are also available in a Chinese translation.

DO I HAVE TO PAY STAMP DUTY ON THE NOTES?

No, there is no stamp duty on issue or transfer of our Notes.

WHO IS RESPONSIBLE FOR THIS ISSUE PROSPECTUS AND THE PROGRAMME PROSPECTUS?

Our directors collectively and individually accept full responsibility for the accuracy of the information contained in this issue prospectus and in our programme prospectus. They confirm, having made all reasonable enquiries, that to the best of their knowledge and belief this issue prospectus and our programme prospectus, when read together, contain no untrue statement (including a statement which is misleading in the form and context in which it is included and including a material omission).

We have included references to websites to guide you to sources of freely available information. The information on these websites does not form part of our prospectuses and neither we nor any of our directors accept any responsibility for information on those websites.

Our programme prospectus (taken together with, and as up-dated by, this issue prospectus) is accurate at the date of this issue prospectus. You must not assume, however, that information in our prospectuses is accurate at any time after the date of this issue prospectus.

None of the banks which sell our Notes is responsible in any way to ensure the accuracy of our prospectuses.

WHERE CAN I SEE THE LEGAL DOCUMENTATION FOR THE NOTES?

During the offer period for our Notes and while any of our Notes is outstanding, you can read copies of the contracts which set up our retail bond issuance programme, including:

- ◀ the legally binding terms and conditions of the Notes offered by this issue prospectus
- ◀ our contracts with the banks appointed to act as market makers for our Notes
- ◀ this issue prospectus
- ◀ a summary of the exemptions and of the conditions to which the certificate of exemption relating to this issue prospectus is subject
- ◀ the documents listed as display documents in our programme prospectus,

by going to our office at 80th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, or the office of

Bank of China (Hong Kong) Limited, our principal paying agent, at 25th Floor, Bank of China Centre, Olympic City, 11 Hoi Fai Road, West Kowloon, Hong Kong during normal business hours.

A reasonable fee will be charged if you want to take photocopies of any of the documents.

You can find out more about how the legal documentation works by reading our programme prospectus.

IS THIS A COMPANIES ORDINANCE PROSPECTUS?

Yes. The Securities and Futures Commission has authorized this issue prospectus for registration by the Registrar of Companies. This authorization does not imply the Securities and Futures Commission's endorsement or recommendation of the offer contained or referred to in this document.

We asked for, and were granted by the Securities and Futures Commission, exemptions from full compliance with some of the provisions of the Companies Ordinance. A summary of the exemptions and of the conditions to which the certificate of exemption issued by the Securities and Futures Commission is subject will be on display and may be found on the website of the Securities and Futures Commission: www.sfc.hk.

The legal documentation has been prepared by our lawyers, Linklaters.

STATUTORILY REQUIRED INFORMATION ABOUT US

Taking into account the nature of our notes being offered and save as disclosed in our programme prospectus (as supplemented by this issue prospectus), there has been no material adverse change in our financial position or operations and no material adverse change in our prospects since 31 December 2007, the date of our latest audited financial statements contained in our programme prospectus.

Our programme prospectus contains our audited consolidated financial statements for 2006 and 2007. We have not prepared any accounts in respect of the period from 1 January 2008 to the date of this issue prospectus.

SUMMARY TABLE OF KEY BUSINESS INFORMATION (AS AT 31 MARCH 2008, UNLESS OTHERWISE SPECIFIED)

Our Hong Kong residential mortgage portfolio

Number of mortgage loans	63,481 [#]
Total outstanding principal balance	HK\$21,485 million [#]
Loan-to-value ratio at origination (average)	66.8% [*]
Debt-to-Income ratio at origination (average)	37.2% [*]

Our Hong Kong non-residential mortgage portfolio

Total outstanding principal balance	HK\$4,000 million
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Our Hong Kong non-mortgage asset

Total outstanding principal balance	HK\$1,702 million
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Our overseas residential mortgage portfolio

Total outstanding principal balance	HK\$5,449 million
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Performance of our loan portfolio⁺

Combined delinquency and rescheduled loan ratio of our Hong Kong residential mortgage portfolio	0.20% [#]
Industry combined delinquency and rescheduled loan ratio of Hong Kong residential mortgage	0.27% [@]
Combined delinquency and rescheduled loan ratio of our overall asset portfolio	0.13% [#]

Our Mortgage Insurance Programme

Number of applications approved since inception	78,841
Total amount of mortgage loans under approved applications	HK\$153,695 million
Total amount-at-risk under approved applications	HK\$36,209 million

Notes:

[#] Provisional figures

^{*} Figures exclude mortgage loans with co-financing and special arrangements and mortgage loans purchased from the Housing Authority, Housing Society, property developers and the Government

⁺ Delinquency ratio of the HKMC measures loans overdue for over 90 days (89 days for overseas portfolio), whereas delinquency ratio of the Hong Kong banking industry measures loans overdue for over 3 months

[@] Source: Hong Kong Monetary Authority

**SUMMARY TABLE OF KEY BUSINESS INFORMATION
(AS AT 31 MARCH 2008, UNLESS OTHERWISE SPECIFIED)**

Our outstanding debt securities

	HK\$'000
Short-Term Liabilities	
Debt Issuance Programme Notes due within 1 year	15,287,825
Over-the-counter Retail Bond Issuance Notes due within 1 year	136,000
Retail Bond Issuance Programme Notes due within 1 year	3,086,013
Mortgage-backed Securities due within 1 year	761,027
Long-Term Liabilities	
Debt Issuance Programme Notes due after 1 year	17,231,946
Over-the-counter Retail Bond Issuance Notes due after 1 year	1,332,065
Retail Bond Issuance Programme Notes due after 1 year	199,389
Medium Term Note Programme Notes due after 1 year	2,597,530
Mortgage-backed Securities due after 1 year	3,453,627
Total Loan Capital	<u>44,085,422</u>
Mortgage-backed securities guaranteed by us under	
Bauhinia MBS Programme	HK\$4,108 million
Guaranteed Mortgage-Backed Pass-Through Securitisation Programme	HK\$106 million

Our Profitability (for the years ended 31 December 2007 and 2006)

	2007 HK\$'000	2006 HK\$'000
Audited profit after tax	740,664	682,673
Return on shareholders' equity	13.7%	13.9%
Return on total assets	1.6%	1.6%

Our Shareholders' Equity (at 31 December 2007 and 2006)

	2007 HK\$'000	2006 HK\$'000
Share capital 2,000,000,000 shares issued and fully paid (authorized 3,000,000,000 shares of HK\$1 each)	2,000,000	2,000,000
Reserves	3,380,230	2,888,579
Proposed dividend*	<u>250,000</u>	<u>250,000</u>
Shareholders' Equity	<u>5,630,230</u>	<u>5,138,579</u>
Our Capital-to-assets Ratio	11.2%	11.2%

Notes:

- * The proposed dividend in respect of 2007 and 2006 each in the amount of HK\$250 million was paid out in April 2008 and April 2007 respectively.

SUBSCRIPTION AMOUNT

TABLE OF MULTIPLES OF THE NOTES AND
PAYMENTS OF SUBSCRIPTION AMOUNTS FOR THE NOTES

Number of Notes applied for	Principal amount of Series A, Series B1 or Series B2 Notes applied for	Subscription Amounts for Series A, Series B1 or Series B2 Notes (Subscription Price of 100% of principal amount plus handling fee of 0.15% of Subscription Price)	Principal amount of Series C Notes applied for	Subscription Amounts for Series C Notes (Subscription Price of 100% of principal amount plus handling fee of 0.15% of Subscription Price)
	(HK\$)	(HK\$)	(AUD)	(AUD)
1	50,000	50,075.00	10,000	10,015.00
2	100,000	100,150.00	20,000	20,030.00
3	150,000	150,225.00	30,000	30,045.00
4	200,000	200,300.00	40,000	40,060.00
5	250,000	250,375.00	50,000	50,075.00
6	300,000	300,450.00	60,000	60,090.00
7	350,000	350,525.00	70,000	70,105.00
8	400,000	400,600.00	80,000	80,120.00
9	450,000	450,675.00	90,000	90,135.00
10	500,000	500,750.00	100,000	100,150.00
11	550,000	550,825.00	110,000	110,165.00
12	600,000	600,900.00	120,000	120,180.00
13	650,000	650,975.00	130,000	130,195.00
14	700,000	701,050.00	140,000	140,210.00
15	750,000	751,125.00	150,000	150,225.00
16	800,000	801,200.00	160,000	160,240.00
17	850,000	851,275.00	170,000	170,255.00
18	900,000	901,350.00	180,000	180,270.00
19	950,000	951,425.00	190,000	190,285.00
20*	1,000,000*	1,001,500.00	200,000*	200,300.00

* (After this number, in increments of 1 Note or HK\$50,000 principal amount in respect of Series A, Series B1 or Series B2 Notes and AUD10,000 principal amount in respect of Series C Notes)