

Press Release

The Hong Kong Mortgage Corporation Limited

Launch of Retail Bond Issue **under the HK\$20 Billion Retail Bond Issuance Programme**

The Hong Kong Mortgage Corporation Limited (HKMC) is pleased to announce today (Tuesday) the launch of a new retail bond issue with four series of notes (the “Issue”) under the HK\$20 Billion Retail Bond Issuance Programme (the “Programme”).

The coupons and subscription prices of the notes are as follows, and the terms and conditions are highlighted in Annex A.

Series	Currency	Tenor	Coupon	Subscription Price
A	HKD	2 years	2.50% (payable semi-annually)	100%
B1	HKD	1 year (extendable quarterly until June 2013)	4.00% times an Interest Factor * (payable quarterly)	100%
B2	HKD	1 year (extendable quarterly until June 2015)	5.00% times an Interest Factor * (payable quarterly)	100%
C	AUD	1 year	7.15% (payable semi-annually)	100%

* Interest factor is equal to the actual number of days on which 3-month HIBOR falls within the range of 0% – 5% p.a. divided by the actual number of days in the relevant period.

The HKMC today signed an agreement with the Underwriting Bank, HSBC for an underwriting amount of HK\$300 million in respect of the 2-year Hong Kong dollar notes of the Issue.

Under the Programme, the HKMC has appointed 17 banks from the Dealer Group as Placing Banks to distribute the Issue to retail investors. They are Bank of China (Hong Kong), Bank of Communications Hong Kong Branch, Bank of East Asia, China Construction Bank (Asia), Chiyu Bank, Chong Hing Bank, CITIC Ka Wah Bank, Dah Sing Bank, DBS Bank (Hong Kong), Hang Seng Bank, HSBC, ICBC (Asia), Nanyang Commercial Bank, Shanghai Commercial Bank, Standard Chartered Bank (Hong Kong), Wing Hang Bank and Wing Lung Bank.

The Placing Banks will also perform the role of market makers for the Issue to facilitate transactions in the secondary market. This offering mechanism through Placing Banks was first introduced by the HKMC in 2001 and has proven highly effective in marketing bonds to retail investors. So far, the HKMC has issued 10 retail bond issues totalling HK\$13 billion. HKMC retail bonds provide investors with the choice of an additional investment product to achieve a balanced investment portfolio and stable interest income.

Mr James H. Lau Jr., Chief Executive Officer of the HKMC, said, “Today, we are launching a new retail bond issue under the HKMC Retail Bond Programme, which caters for investors who prefer stable interest income and also for more experienced investors who look for yield enhancement and portfolio diversification. I trust the HKMC’s consistent efforts to promote the development of the retail bond market will create a win-win situation for the investors, the placing banks and the Corporation.”

The offer period will commence at 9:00 a.m. on 4 June 2008 (Wednesday) and end at 2:00 p.m. on 13 June 2008 (Friday). The timetable for the issue is set out in Annex B. As applicants need to have a bank account and an investment account with any one of the Placing Banks whom they intend to instruct, they are encouraged to submit applications early and not to wait until the closing date of the offer period. The subscription money will only be deducted from the applicant’s account on the closing date.

Retail investors can obtain the Programme Prospectus and the Issue Prospectus from any of the designated branches of the 17 Placing Banks (Annex C) or the office of the HKMC. Investors may also access the website of the HKMC (www.hkmc.com.hk) for details of the Issue.

The Hong Kong Mortgage Corporation Limited
3 June 2008

THE HONG KONG MORTGAGE CORPORATION LIMITED

HKMC210 2-year HKD 2.50% Notes due June 2010

HKMC105E 1-year HKD HIBOR-Linked Notes due June 2009 (extendable quarterly to June 2013)

HKMC106E 1-year HKD HIBOR-Linked Notes due June 2009 (extendable quarterly to June 2015)

HKMC107 1-year AUD 7.15% Notes due June 2009

Major Terms of the Retail Bond Issue

Issuer	The Hong Kong Mortgage Corporation Limited (HKMC) <i>Wholly-owned by the Hong Kong SAR Government through the Exchange Fund</i>
Issuer's Credit Ratings	Local currency: Aaa (Moody's); AA (S&P) Foreign currency: Aa1 (Moody's); AA (S&P) Long-term issuer ratings
Issue Number	HKMC210 ("Series A") HKMC105E ("Series B1") HKMC106E ("Series B2") HKMC107 ("Series C")
Minimum Issue Amount	HK\$1 million for each of Series A, B1 and B2; AUD1 million for Series C. The HKMC reserves the right to increase the issue amount of each series of notes.
Subscription Period	9:00 a.m. on 4 June 2008 to 2:00 p.m. on 13 June 2008
Issue Date	19 June 2008
Maturity Date	Series A: 21 June 2010 Series B1: 19 June 2009 (extendable quarterly until 19 June 2013 at the option of the Issuer) Series B2: 19 June 2009 (extendable quarterly until 19 June 2015 at the option of the Issuer) Series C: 19 June 2009
Denomination	HK\$50,000 for Series A, B1 and B2; AUD10,000 for Series C

Coupon	<p>Series A: 2.50% p.a., payable semi-annually Series B1: 4.00% p.a. times an Interest Factor, payable quarterly Series B2: 5.00% p.a. times an Interest Factor, payable quarterly Series C: 7.15% p.a., payable semi-annually</p> <p>For Series A and C Notes, interest is payable on the 19th day of June and December between the Issue Date and the Maturity Date of the relevant notes. For Series B1 and B2 Notes, interest is payable on the 19th day of March, June, September and December between the Issue and the Maturity Date of the relevant notes.</p>
Interest Factor (for Series B1 and B2 only)	<p>Interest Factor equals to N/M $N =$ Total number of calendar days in the relevant observation period on which the 3-month HIBOR (shown on Reuters Screen Page HKABHIBOR at or around 11:00 a.m.) stays within the Range $M =$ Total number of calendar days in the relevant observation period</p> <p>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.</p>
Range (for Series B1 and B2 only)	0% to 5% p.a. (highest and lowest rates inclusive)
Annualised Yield	<p>Series A: 2.52% p.a. Series B1: not applicable Series B2: not applicable Series C: 7.28% p.a.</p>
Subscription Price	100% of the principal amount of the notes
Handling Fee	Investors will pay a handling fee of 0.15% on the Subscription Price of the notes allotted to them.
Market Making	<p>For Series A and C: The Placing Banks will quote bid prices for the notes during business hours until the maturity dates of the notes. To facilitate the Placing Banks to quote their offer prices, the HKMC reserves an additional issue amount of 30% on the issued amount for further issuance at any time during the life of the notes.</p> <p>For Series B1 and B2: The Placing Banks will quote bid prices for the notes once a week (expected to be every Friday) starting 21 July 2008. The HKMC will also, on a once-weekly (expected to be every Friday) basis, quote a price to the Placing Banks at which the HKMC is willing to buy back the notes. The HKMC will not issue additional amount of the Series B1 and B2 notes after the Issue Date.</p>

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Issuance Timetable

Commencement Date for Application : 4 June 2008 (Wednesday), 9:00 a.m.

Closing Date for Application : 13 June 2008 (Friday), 2:00 p.m.

Issue Date : 19 June 2008 (Thursday)

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

The list of designated branches of Placing Banks can be obtained through their enquiry hotlines.

Enquiry Hotlines

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