

Ref:

Your Ref.: CB1/PL/FA

Legislative Council Secretariat
3/F Citibank Tower
Garden Road
Central
Hong Kong

BY FAX & BY HAND
(Fax No.: 2121 0420)

24 December 2008

Attention: Ms Rosalind Ma
Clerk to Panel

Dear Sirs

**PANEL ON FINANCIAL AFFAIRS
SPECIAL MEETING TO BE HELD ON 30 DECEMBER 2008**

We are in receipt of your letter of 19 December 2008 to Peter Wong inviting representatives of The Hongkong and Shanghai Banking Corporation Limited to attend a special meeting of the Panel to be held on Tuesday, 30 December 2008.

With respect to the question as raised in the list of follow-up actions regarding the possible courses of action which the trustee may take for the redemption of the minibonds that require the provision of such financing by the distributor banks, we would like to respond in the following paragraphs.

After the Notes become redeemable the security of the collateral becomes enforceable. Under the Trust Deed, once the security becomes enforceable (i) if requested by the holders of 20% of the Notes, (ii) if directed by an Extraordinary Resolution, or (iii) if sums are due to Other Creditors (Lehman Brothers), if directed by the Other Creditors, the Trustee shall, or may in its discretion, (subject to being indemnified to its satisfaction) enforce the security over the collateral.

All of the action which may be taken by the Trustee involves expense. These actions include:

- appointing a receiver over all or a portion of the collateral.
- engaging a financial advisor to calculate the settlement amounts for the swap agreements.
- working with legal counsel to determine and carry out appropriate action.
- directing BNY Corporate Trust Services (BNY) as the trustee with respect to the underlying notes that serve as collateral for the Notes.
- engaging in litigation to enforce the rights of the noteholders against Lehman Brothers.
- filing claims in the bankruptcy cases of various Lehman affiliates.

Even before the security has become enforceable we are sure you appreciate that the Trustee has incurred significant expenses in connection with taking legal advice and the advice of financial advisors and has devoted considerable internal resources to this matter. We are committed to and will continue to devote our resources to the most favourable resolution of this matter for all concerned.

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The Special Meeting will be attended by:

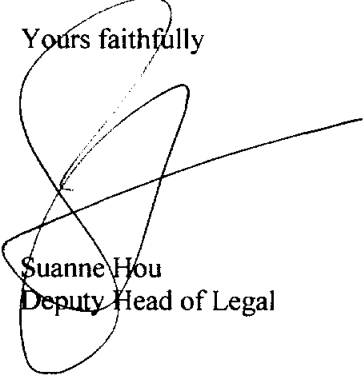
Ms Letitia Chau
Senior Vice President & Head of Asia-Pacific
Corporate Trust & Loan Agency
HSS Securities Services

周家琮小姐
高級副總裁，信託代理服務—亞太區主管
滙豐證券服務

Ms Susan Sayers
Deputy Head of Legal

施素珊小姐
法律部副主管

Yours faithfully


Suanne Hou
Deputy Head of Legal