

**The Administration's Response regarding the Measures/Plans
to Assist the Affected Investors to Recover their Money**

The Administration has been striving for the best arrangements for the investors affected by the Minibonds incident.

2. Notwithstanding that the “buy back” proposal faces legal challenges, the Administration believes that it remains the best option to most affected investors, since it will avoid the need for the investors to go through a long and tedious liquidation process and enable them to get back the estimated current value of their investment quickly. We note the announcement by the Hong Kong Association of Banks (“HKAB”) in December 2008 that the distributing banks were prepared to provide financing to the trustee of up to HK\$100 million to assist it in the performance of its duty to protect the interests of investors. That financing will not be repayable to the distributing banks to the extent that the same cannot be recovered from the proceeds of sale of the underlying collateral for the Minibonds. We trust that HKAB and the trustee would continue to deploy its professional knowledge in helping the Minibonds holders.

3. In parallel, we have been asking the two regulators to expedite their investigations as far as practicable. In this regard, we note that following its investigation, the Securities and Futures Commission (“SFC”) issued on 22 January 2009 a reprimand to a broker firm in respect of internal systems and controls relating to its sales since 2002 of Minibonds to its clients. The broker firm has agreed to repurchase all outstanding Minibonds from its eligible clients at a price equal to the principal amount invested by them. We are confident that our regulators would continue their investigations fairly, seriously and expeditiously, and that these investigations would eventually benefit the affected investors.

4. We also note that some distributing banks of Lehman Brothers-related products and the affected investors have settled, or will soon settle, among themselves voluntarily, including compensation either in part or in full following the banks' own investigations. As at 14

January 2009, 1,767 of these voluntary settlements have already been concluded, involving an amount of principal of HK\$704 million. The Hong Kong Monetary Authority has also provided mediation and arbitration service, and would pay the share of the fee for these services on behalf of eligible investors (including those whose complaints are preliminarily substantiated).

5. The Administration would continue to act as a proactive facilitator and offer timely and suitable assistance to the affected investors.

Financial Services Branch
Financial Services and the Treasury Bureau
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