

Press release

17 December 2008

Latest developments regarding buy-back of mini-bonds

The distributors of the Lehman Brothers mini-bonds listed below have been working with the Government to assist mini-bond investors since September 2008 when Lehman Brothers filed for bankruptcy protection in the United States. On 17 October 2008, at the request of the Government, the distributors agreed to buy-back the mini-bonds at market value. The distributors immediately started preparing for the buy-back which they originally expected to commence in early December.

On 27 November 2008, the distributors received from the trustee a letter dated 25 November 2008 from the legal advisers to Lehman Brothers in the US addressed to the trustee. Claims in that letter include that the proceeds from any sale of the underlying collateral for the mini-bonds should be paid to Lehman Brothers before the issuer of the mini-bonds and in turn the investors. This is contrary to the express terms of the mini-bond documents. If this claim is upheld, the value of the mini-bonds will significantly decrease. In view of the claims by Lehman Brothers, the distributors sought legal advice from its advisors in the US, the UK and Hong Kong. Due to the complexities of the legal issues involved and the uncertainties surrounding their outcome, the financial advisor to the distributors has advised that it is impracticable to determine the market value of the mini-bonds under the circumstances. The distributors have therefore decided to continue the buy-back only after these legal issues have been clarified and addressed and the market value can be determined unless, in the meantime, the mini-bonds are redeemed early as a result of action taken by the trustee.

The distributors have continued liaising with the trustee regarding the status of the mini-bonds and the proposed steps to be taken to protect the interests of the investors. The distributors have asked the trustee to exercise its discretion to protect the interests of the investors.

The trustee has announced that action was taken to terminate the mini-bond swap agreements on 15 December 2008 between the issuer of the mini-bonds and Lehman Brothers. The distributors have requested further information from the trustee regarding any mini-bond redemption process that may result from terminating those agreements. The distributors are prepared to provide finance to the trustee of up to HK\$100,000,000 to assist it in the performance of its duty to protect the interests of investors. That finance will not be repayable to the distributors to the extent that the same cannot be recovered from the proceeds of sale of the underlying collateral for the mini-bonds. The distributors will pass on any relevant information to the investors as soon as they receive it.

Enquiries:

Citigate Dewe Rogerson
Sukyi Yau, Co-Managing Director
Tel : +852 2533 4622 / 9030 7204
Email: sukyi.yau@citigate.com.hk

The distributors include:

ABN AMRO Bank N.V Hong Kong Branch
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
The Bank of East Asia, Limited
Chiyu Banking Corporation Limited
Chong Hing Bank Limited
CITIC Ka Wah Bank Limited
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Grand Cathay Securities (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
MEVAS Bank Limited

Nanyang Commercial Bank, Limited
Public Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
Sun Hung Kai Investment Services Limited
Wing Hang Bank, Limited
Wing Lung Bank Limited