

A Repurchase Scheme for Lehman Brothers Minibonds Proposed by 16 Distributing Banks and Agreed by the Regulatory Authorities to Enable All Parties Concerned to Move Forward

We, sixteen Distributing Banks of Lehman Brothers Minibonds (“Minibonds”), today announce that we are offering investors a scheme for the repurchase of Minibonds for eligible customers (“Repurchase Scheme”).

The Repurchase Scheme is implemented with a view to maintaining harmony amongst all sectors in the society and safeguarding the interests of the public in Hong Kong. Through the joint efforts of all parties concerned, the Repurchase Scheme has been endorsed by the Hong Kong Monetary Authority (“HKMA”) and the Securities and Futures Commission (“SFC”). With the support of the public, we are confident that the Repurchase Scheme can be implemented smoothly and speedily, so that we can all move forward together to tide over the current financial crisis and seize the opportunities that arise in the economic recovery.

The collapse of the Lehman Brothers Group is one of the most unpredictable and unfortunate consequences of the global financial tsunami. When it filed for relief under Chapter 11 of the Bankruptcy Code in the US on 15 September 2008, Lehman Brothers was the fourth largest US investment bank with a history of over 150 years and a perennial credit rating of A or above. No one would have foreseen that a bank of this standing would collapse overnight, taking with it the loss of the market liquidity of Lehman-related investment products, including the Minibonds.

The sudden collapse of the Lehman Brothers Group has caused not only distress among tens of thousands of local and international investors, but also widespread concerns in the society particularly as to the financial impact on individual investors of Minibonds. This has been somewhat aggravated by the anticipated length of time it would take to conclude the liquidation of the Group and for investors to be financially recompensed, having regard to the sheer size and complexity of the structure of the Group globally.

The Distributing Banks acknowledge that they together form an integral part of Hong Kong’s financial sector, and correspondingly carry with them a social responsibility to care for the interests of the investing public. In the past few months, the Distributing Banks have been devoting extensive resources in responding to individual customers’ queries expeditiously, while exploring all options available in achieving a comprehensive, fair and reasonable outcome for all parties concerned. In the light of the highly unusual and unprecedented circumstances, the Distributing Banks have resolved to provide all assistance we can to all those impacted by treating the Lehman Minibonds issue as a special case without admission of liability. We are therefore offering to the affected Minibonds customers the Repurchase Scheme, which has been agreed by both the SFC and the HKMA as part of a global settlement of regulatory investigations, and which we consider reflects the proactive approach taken by the Distributing Banks in lending assistance to investors affected by the insolvency of the Lehman Brothers Group.

Under the Repurchase Scheme, the Distributing Banks will make an offer to repurchase all outstanding Lehman Minibonds from the eligible customers (who account for approximately 95% of all Lehman Minibonds investors in aggregate) at a price equivalent to 60% (for customers aged below 65) or 70% (for customers aged 65 or above) of the nominal value of the principal invested. Should there be recoveries from the enforcement of the underlying collateral held in respect of the Minibonds, the Distributing Banks will make further payments to the eligible customers in accordance with the terms of the Repurchase Scheme. (Please refer to the Summary and Notification to Eligible Customers Regarding the Repurchase Scheme given below for more details).

Part and parcel to the Repurchase Scheme, the Distributing Banks have also agreed to make a voluntary payment to those customers who may have been eligible under the Repurchase Scheme but who have reached settlement with the Distributing Banks previously on a case-by-case basis. This “top-up” exercise will bring these customers in line with the eligible customers who accept the Repurchase Scheme offer. Moreover, each Distributing Bank will make available an amount equivalent to the total commission income received as a Minibond distributor to the trustee of the Minibonds, to fund the trustee’s expenses in realizing the value of the underlying collateral.

The Distributing Banks believe that all sectors of the financial industry, including the banks, the regulators and the investing public, have a good lesson to learn whilst dealing with the aftermath of the financial tsunami. No system remains forever stagnant. The regulatory landscape has developed rapidly in recent years to cope with the proliferation of financial derivative products. Correspondingly, the banks in Hong Kong have strived to enhance their systems, under the close supervision and monitoring of their regulators, to bring them in line with such developments. The Distributing Banks acknowledge that there is room for improvement in their systems and processes, and have undertaken to work with the regulators in order to ensure that their standards and performance remain in line with international best practice.

Furthermore, we must never forget that a sound and solid legal and regulatory system and the upholding of the rule of law are the cornerstones for Hong Kong as an international financial centre. These are the crucial factors for the long-term development of Hong Kong’s financial market. They are also the foremost principles that Hong Kong should treasure and defend at all cost.

The Distributing Banks are confident that the Repurchase Scheme will find the support of the Minibonds customers and the public. Here we wish to thank our customers, shareholders and the community for their understanding and support over the past months. We would also like to extend our appreciation to our staff for the professionalism and unwavering commitment they demonstrated during this trying period. Finally, we would like to express our gratitude to the regulatory authorities for their support in concluding the Repurchase Scheme with us. As responsible enterprises, we are committed to upholding the rule of law and will continue to co-operate fully with the HKSAR Government and the regulatory authorities in order to further enhance Hong Kong’s status as an international financial centre.

Distributing Banks (In alphabetical order):

ABN AMRO Bank N.V.

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd. Hong Kong Branch

Bank of East Asia, Limited, The

Chiyu Banking Corporation Limited

Chong Hing Bank Limited

CITIC Ka Wah Bank Limited

Dah Sing Bank Limited

Fubon Bank (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

Wing Hang Bank, Limited

Wing Lung Bank Limited

Hong Kong, 23 July, 2009

Summary of the Repurchase Scheme

- Each Distributing Bank will offer to purchase all outstanding Minibonds from eligible customers (Note 1) at a price equal to 60% (for customers aged below 65 as at 1 July 2009) or 70% (for customers aged 65 or above as at 1 July 2009) of the nominal value of the principal invested. A further payment (Note 2) of initially up to 10% (depending on recoveries) of the principal invested will be paid to the eligible customers below the age of 65 as at 1 July 2009, within 30 days after the value of the collateral of a series of Minibonds is recovered and paid to the Distributing Banks. In addition, each eligible customer will receive a further payment of the entirety of any amount in excess of 70%, if the percentage recovered for that series exceeds 70%.
- Each Distributing Bank will make a voluntary offer to pay a shortfall amount to those eligible customers who had previously settled with the Distributing Bank on a case-by-case basis, to bring them in line with the terms of the Repurchase Scheme (Note 3).
- Each Distributing Bank will make available an amount equivalent to the total commission income received as a Minibonds distributor to the trustee of the Minibonds to fund the trustee’s expenses in realizing the value of the underlying collateral.

Note 1: Eligible customers will not include professional investors, corporate / non-individual investors or experienced investors who had, in the past three years preceding their first purchase of Minibonds, executed five or more transactions in structured products, leveraged products or a combination of both.

Note 2: Details of the further payment after recovery on collaterals are as follows:

- For those below the age of 65 as at 1 July 2009, if the percentage of the recovery for that series is (a) less than 10% of the nominal amount, they will receive the actual amount recovered on a pro rata basis; or (b) between 10% and 70% of the nominal amount, they will receive 10% of the recoveries on a pro rata basis; or (c) more than 70%, they will receive 10% of the recoveries plus any amount recovered in excess of 70% on a pro rata basis.
- For those at or above the age of 65 as at 1 July 2009, they will receive any amount recovered in excess of 70% on a pro rata basis.

Note 3: (i) For eligible customers below the age of 65 as at 1 July 2009 and the settlement amount was below 60% of the principal invested, they will receive the difference between the previous settlement amount and 60% of the principal invested, as well as additional payment from recovery of collateral outlined in Note 2 above; (ii) for eligible customers aged 65 or above as at 1 July 2009 and the settlement amount was below 70% of the principal, they will

receive the difference between the previous settlement amount and 70% of the principal, as well as additional payment from recovery of collateral outlined in Note 2 above; (iii) for eligible customers below the age of 65 as at 1 July 2009 and the settlement amount was between 60%-70% of the principal invested, they will receive any recovery from collateral in excess of the previous settlement amount up to 70% of their principal invested, as well as any recovery in excess of 70% on a pro rata basis; (iv) for customers whose settlement amount was 70% of the principal invested or above, they will receive any recovery from collaterals in excess of the settlement amount.

Notification to Eligible Customers Regarding the Repurchase Scheme

- From 3 to 10 August 2009, each Distributing Bank will send the offer letter to all eligible customers via registered mail to the last known addresses of eligible customers. Eligible customers may determine to accept or reject the offer. Each Distributing Bank will use all reasonable means (e.g. phone, email and fax) to contact any eligible customer if the mail by post is returned.
- If the mail is not returned and the eligible customer does not accept the offer within 60 days without valid reason, the offer will lapse automatically.
- If the eligible customer is able to give a valid reason for not accepting the offer within the original deadline, the Distributing Bank will treat the offer as still valid and give him / her a further 30 days for him / her to accept the offer from the date the Distributing Bank replies to the eligible customer.
- Whether the reason given by the eligible customer for the delay in responding within the deadline is valid or not will be subject to the decision by the Distributing Bank. However, if the eligible customer disagrees with the Distributing Bank’s decision, the Distributing Bank will resolve this in accordance with its complaint handling procedures.
- Upon receipt of the completed acceptance form from the eligible customer, the Distributing Bank will, within 30 days, make the payment for the repurchase price to the eligible customer. Payment of the repurchase price or any payments will be made via transfer to the eligible customer’s account maintained with the Distributing Bank, or a bank account in Hong Kong designated by the eligible customer if he no longer has any account maintained with the Distributing Bank.
- Each Distributing Bank will set up a hotline for Minibonds customers to answer enquiries during office hours from the eligible customers as well as from the public. Information about the Repurchase Scheme and enquiry details for eligible customers will be posted on the website of each Distributing Bank.