

CONSTELLATION NOTES
SERIES 34-37, 43-46, 55-58, 59-62, 63-66, 67-70, 71-74 AND 78-81 (THE “NOTES”)

CREDIT EVENT IN RESPECT OF LEHMAN BROTHERS HOLDINGS INC.

FREQUENTLY ASKED QUESTIONS

23 SEPTEMBER 2008

1. What are credit-linked notes?

The Notes are credit-linked notes.

As we set out in the issue prospectus for each series of Notes, this means that if a credit event happens to **any one** of the reference entities on or before the maturity date, you will only receive back the credit event redemption amount, which will likely be less, and could be significantly less, than the principal amount you invested.

2. Has a credit event happened?

Yes - a credit event has happened in respect of one of the reference entities, Lehman Brothers Holdings Inc.

Kindly refer to the FAQs dated 19 September 2008 for more information about the credit event as well as the dates on which the credit event redemption amount will be calculated and paid.

3. How will the credit event redemption amount be calculated?

The credit event redemption amount in relation to each series of Notes is equal to:

the principal amount of such series of Notes

less

- (i) the notional loss on the reference obligation;
- (ii) any depreciation of the collateral; and
- (iii) costs and expenses associated with the termination of the swap arrangements in respect of such series of Notes.

Each of these components is explained below.

(i) Notional loss on reference obligation:

Firstly, from the principal amount of the relevant series of Notes, our calculation agent will deduct the notional loss on the reference obligation of Lehman Brothers Holdings Inc. referred to by the relevant series of Notes.

Our calculation agent will calculate the notional loss by first determining the market value of the reference obligation. It will do so by asking dealers to bid for the reference obligation (expressed as a percentage of the face value of the reference obligation) and taking the average bid price obtained from such dealers.

For USD Notes, the notional loss will be 100% minus the market value, multiplied by the principal amount of the series of Notes. For HKD Notes, the notional loss will be 100% minus the market value, multiplied by the “USD equivalent principal amount of the Notes” (which means the principal amount of the series of Notes in HKD, converted into USD using the exchange rate as of the issue

date). The notional loss is then converted back into HKD using the exchange rate as of the date the credit event redemption amount is calculated. Therefore, if HKD depreciates over time, this notional loss (in HKD terms) will be magnified.

For some series of Notes, the process above is alternatively expressed as the principal amount of such series of Notes *multiplied* by the market value of the reference obligation (which essentially achieves the same result). The HKD Notes would still take into account the difference between the HKD/USD exchange rate at the issue date and the date the credit event redemption amount is calculated.

(ii) Depreciation on the collateral:

Secondly, our calculation agent will deduct the depreciation on the collateral for the relevant series of Notes. The depreciation of the collateral means the shortfall of the market value of the collateral compared to the principal amount of the collateral. We have set out under Question 4 below further details as to how the market value of the collateral is determined.

For USD Notes, our calculation agent will simply deduct any depreciation on the collateral.

For HKD Notes, our calculation agent will convert the depreciation into HKD using the exchange rate as of the date it calculates the credit event redemption amount. Therefore if HKD depreciates over time, this depreciation (in HKD terms) will be magnified.

(iii) Costs and expenses associated with termination of swap agreement:

Finally, our calculation agent will deduct the costs and expenses associated with the termination of the swap agreement for the relevant series of Notes. The costs of terminating the swap agreement can be substantial.

4. How and when will the market value of the collateral be determined? Have you sold any of the collateral? What will you do with the collateral ?

Under the terms of the Notes, our calculation agent will determine the market value of the collateral in good faith and in a reasonable manner.

Our calculation agent will determine the market value of the collateral over the period from the credit event determination date to the valuation date. As the current market is very unstable and there is very little liquidity, our calculation agent has not taken any action to determine the market value of the collateral. Our calculation agent is monitoring and will continue to monitor the market situation and will act in good faith and in a reasonable manner to determine the market value of the collateral when the market is more stable and when market liquidity improves.

The determination of the market value of the collateral does not involve the selling of the collateral in the market. Under the swap arrangements in respect of the Notes, on the credit event redemption date, the issuer has to deliver the collateral to DBS Bank Ltd as swap counterparty, and DBS Bank Ltd as swap counterparty has to deliver the credit event redemption amount to the issuer.
