

## Frequently Asked Questions (“FAQs”)

### **IMPORTANT DISCLAIMER:**

**THIS GUIDE HAS BEEN PREPARED FOR INFORMATION PURPOSES ONLY. IT DOES NOT CONSTITUTE LEGAL ADVICE AND IS NOT INTENDED TO BE EXHAUSTIVE. WHILST CARE HAS BEEN TAKEN IN ITS PREPARATION, NO RESPONSIBILITY IS ACCEPTED FOR THE COMPLETENESS OR ACCURACY OF ITS CONTENTS. INTERESTED PARTIES SHOULD NOT RELY ON THIS GUIDE AND SHOULD REFER TO THE RELEVANT SERIES PROSPECTUS DOCUMENTS AND OBTAIN THEIR OWN LEGAL ADVICE.**

These FAQs have been prepared for the noteholders of notes (the "Noteholders"), commonly referred to as "Minibonds", issued under series 10 to 12, 15 to 23 and 25 to 36 of the secured continuously offered note programme of Pacific International Finance Limited (the "Issuer"). The trustee of the notes is HSBC Bank USA, National Association (formerly HSBC Bank USA) (the "Trustee").

Attention is drawn to the disclaimer set out above which should be read before the rest of this document.

### **Current Status**

The commencement of the bankruptcy of Lehman Brothers Holdings Inc. in the USA in September 2008 triggered a series of events, including defaults in the payment of interest in the Minibond Series, which has led the Trustee to appoint Receivers of the collateral of the affected Minibond Series. This action has been taken to realise the value of the Minibonds for the Noteholders and other beneficiaries.

#### **Q1 Who are the Receivers?**

Ted Osborn, Anthony Boswell and Jan Blaauw, partners of PricewaterhouseCoopers Hong Kong, were appointed Receivers of the collateral (described below) which secures the Minibond Series 10 to 12, 15 to 23 and 25 to 36 (the “Minibond Series”) on 30 June 2009.

#### **Q2 How are the Minibonds structured and what is the collateral?**

The structure of the Minibonds (the "Minibond Structure") is explained more fully in the relevant prospectus for each series in the section titled "Information about us and how our Notes are Secured". Each series of Minibonds has its own separate structure, special features and collateral which comprise different assets. The details of the collateral which secures each Minibond Series is set out in the relevant Pricing Supplement for each series. Essentially, the collateral consists of bonds which were purchased by the Issuer and derivatives contracts which were entered into by the Issuer to secure its obligations under the Minibonds.

The Issuer purchased bonds (the "Underlying Bonds") for each Minibond Series. The Underlying Bonds are structured bonds (which are themselves secured by different US Treasury Bills and corporate bonds and derivatives contracts). The Underlying Bonds for each series varies, and Noteholders should refer to the relevant Pricing Supplement for each series for details.

The Issuer also entered into a number of derivatives contracts for each Minibond Series (including interest rate, currency and credit default swaps) with Lehman Brothers Special Financing and/or Lehman Brothers Finance S.A. (each a derivative counterparty). Both Lehman Brothers Special Financing and/or Lehman Brothers Finance S.A. are the subject of bankruptcy proceedings in the USA and Switzerland respectively. Due to their bankruptcy no payments have been received in respect of the derivatives contracts. For this reason and in order to maximise the value of the Minibonds by limiting continued exposure to the volatility of the markets, the Trustee terminated the derivatives contracts and has taken steps to appoint Receivers. The Trustee believes it is appropriate to appoint Receivers to realise the value of the Minibond collateral for the benefit of all beneficiaries including the Noteholders.

**Q3 What are the legal implications and consequences of unwinding the structure and realising the collateral?**

The legal documentation for the Minibond Structure is multi-jurisdictional, being governed by contractual arrangements in multiple jurisdictions including Hong Kong, England, and the Cayman Islands. This may create complexity in the unwinding process and add to the time taken in the realisation process.

**Q4 What is the role of the Receivers?**

The role of the Receivers is to safeguard the interests of the Trustee (acting as representative of the beneficiaries, including the Noteholders) and take steps to realise the collateral by unwinding the Minibond structures. The Receivers must have regard to the legal position of the Issuer, the Noteholders and the relevant Lehman derivatives counterparties. The Receivers will provide an independent and objective assessment of viable options to the Trustee for maximising the value of the Minibonds and shall return surplus funds (if any) after realising the collateral to the Trustee for distribution to the beneficiaries including Noteholders. They will consult with the Trustee with regard to the interests of all beneficiaries throughout the process.

In order to realise the collateral the Receivers have the power to take such steps as they consider appropriate in accordance with the relevant legal documentation. They are obliged to obtain the best settlement and/or price that can be obtained in the circumstances in respect of the realisation of the collateral and will act in consultation with the Trustee.

**Q5 When will the Noteholders receive payment?**

Due to the complex nature of the Minibond Structure it is not possible at this time for the Receivers to provide any meaningful estimate of the timing or quantum of any return that may be paid to Noteholders. The process to unwind the Minibond Structure may take a considerable period of time, particularly if the Minibond Structure is subject to litigation.

**Q6 How much can the Noteholders expect to be paid?**

The amount that Noteholders will ultimately recover will depend on a number of factors relating to the unwinding of the Minibond Structures. The Receivers are unable at this stage to estimate the ultimate recovery (if any) for each of the Minibond Series and the quantum of any return that may be paid to Noteholders. We recommend that you seek independent legal and financial advice if you wish to know more about your investment at this time.

**Q7 How will the Receivers be paid?**

The reasonable professional fees and any costs (including legal and other advisory costs) and expenses incurred by the Receivers will in accordance with the Principal Trust Deed, be deducted from any realisations prior to any return being made to the Trustee. Such fees will be based on the actual time costs which are incurred to provide professional advice and services.

**Q8 How and when will the Receivers inform Noteholders of the latest progress?**

To the extent that the Receivers' confidentiality and other obligations permit, this website will be updated as information is made available. In addition, the Receivers have set up a telephone hotline to answer ongoing Noteholders' queries. The hotline number is 2289 5066 and will be manned from 9.00 am to 5.00 pm Monday to Friday, except public holidays. The hotline will be operated in English and Cantonese.

Noteholders may also ask their distributing bank for any further minibond information updates which may become available.